THE DISPROPORTION OF TAXATION IN PITTSBURGH

BY

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I

THE PROBLEM

A SAVICH † lives in a small house in the river bottom near Forty-eighth Street. His house fronts on Plum Alley, which is not paved and has no street lights. The air is the muddy gray that hovers in the lee of giant smokestacks in action. Houses in the block crowd together and not a cricket's

* The investigation for this report was made in the summer of 1910, and generous co-operation was had from the Pittsburgh board of assessors, the city comptroller, the civic commission, chamber of commerce, board of trade, other civic and commercial bodies, and many public spirited individuals who had been interested in tax reform in Pittsburgh. In 1909 the Pittsburgh board of trade had started a movement to abolish the system of classifying real estate for local taxation. The report here presented was drafted at the end of 1910, was immediately placed before local bodies, and was of use in the legislative campaign of 1911, which resulted in the enactment of the Halferty bill abolishing the tax classification of real estate, and in the adoption of a new school code which did away with the separate sub-district school tax levies—enactments taking effect with the 1912 assessment of taxes and thereby eliminating two most prolific sources of injustice in Pittsburgh public finance.

These new laws were backed by the Pittsburgh civic commission, the committee on real estate and taxation of the chamber of commerce, the Pittsburgh board of trade, the allied boards of trade, the Pittsburgh Teachers' Association, Pittsburgh Principals' Association, Schoolmasters' Club of western Pennsylvania, Federation of Women's Clubs, and Junior Order of American Mechanics. Among the individuals who contributed to the movement were Mayor Magee, Thomas J. Hawkins, and Thomas C. McMahon, president and secretary respectively of the city assessors, Allen T. Burns, James R. Park, David B. Oliver, Thomas O'Shell, and, in marked degree, W. D. George.

The tax reform forces returned to the attack in the legislature of 1913 and secured the passage of a law which will gradually fix the tax rate on buildings at 50 per cent of that on land. Thus, after forty years during which Pittsburgh has suffered under a taxation system discriminating in favor of large land holdings it becomes in 1914 the first large city of the United States to enter upon the experiment of halving the tax rate of buildings.—Editor.

† Case including figures is actual but name fictitious.

Homes of the Tax Burden Bearers
Property along this congested street where work people live was classed full up to 1912, paying the highest rate assessed in the ward

Taxed as Rural for Many Years
Some of the best residence property in the city. Schenley Farms and Squirrel Hill in the distance

Taxed as "Farm" Land
More than 100 acres which long paid only one-half the tax rate while it dammed the city's growth

grasp of green weeds grows in the cindery back yards. School advantages of the district are poor. Savich owns the house and lot where he lives. In 1910 the city assessors valued the lot, which is 25 by 50 feet square, at $550 and the house at $400, a total of $950. His total city tax was $15.15 which was at a rate slightly less than $1.60 on each $100 of valuation.

A spacious, substantial residence surrounded by several acres of land, owned and occupied by John Brown,* a local millionaire, stands on North Highland Avenue. The lawn, with its shrubbery, trees, and flowers, is a balm for weary eyes; its generous size keeps neighboring houses at a distance and adds privacy to the home. The air is as free from smoke as any in Pittsburgh, and public school advantages in the district are as good as any in the city. North Highland Avenue is a paved street, well lighted and well cared for. Brown's land was valued by the assessors in 1910 at $202,500, and his residence at $54,400, a total of $256,900. His total city tax on this property was $2,688.89, or $1.05 on each $100.

Standing on splendid high ground overlooking the Allegheny River valley is a large, rambling, old-fashioned, brick dwelling house. It is surrounded by 105 acres of good land, and the whole homestead has been in the possession of the same family since before the Revolutionary War. Its ownership at present is held by a wealthy estate, the only heirs being non-residents of Pittsburgh, living across the Atlantic and drawing a heavy and constant revenue from large local holdings. The city has built up around this homestead on practically all sides, making the land especially valuable. A crop or two of hay is harvested each summer and several cows graze through the year. This 105 acres of so-called "agricultural" land lies almost exactly between two densely populated districts and falls more than two miles inside the eastern boundary of the city. The assessor's books in 1910 recorded the land at $252,000, and the house, together with several cottages, barns, a greenhouse, and out-buildings, at $10,600, a total of $262,600. The total tax was $2,192.71, or 83½ cents on each $100 of assessed value.

The above are three actual cases from the assessor's books

* Case including figures is actual but name fictitious.

for 1910, illustrating the results of separating real estate into three classes which for thirty-four years had determined its taxation in Pittsburgh. How typical they were we shall see in what follows. Savich lived on the so-called "full city" land, Brown on "rural," and the 105-acre estate passed as "agricultural." Savich paid taxes at the rate of $1.60 on each $100 of assessed value, Brown at the rate of $1.05, and the estate at 83½ cents. Savich, on the alley, paid a rate over 50 per cent higher than Brown, on the avenue, and nearly 100 per cent higher than the homestead on the hill. Included in the total tax amount in each case was an item for district school equipment and building maintenance, and the rate of this levy was affected by land classification also. Using the assessors' appraisals before being modified by the classification scheme, which will be described later, Savich, in 1910, paid $2.14 sub-district school tax, or 23 cents per $100 of valuation; Brown paid $342.53, or 13 cents; and the estate's payment was $393.90, or 15 cents, Savich's rate being over 50 per cent higher than either of the others.

Over on the South Side is the Beltzhoover school district comprising the old thirty-eighth ward. The district is made up very largely of the more provident class of working people. Barring the occasional exception, of course, here are found the skilled mechanics and skilled mill workers, the northern European immigrant, and the $3.00 to $5.00 a day man with a family, who either owns or is gradually buying his own home. Except for their immediate wants, such as groceries and meats, these people go downtown for most of their trading; that is, they spend their money somewhere on the Point. In 1909 the total assessed valuation of taxable property in the district was $2,000,176. It was slightly higher for 1910, approximately $2,100,000.* On that valuation in 1910 was paid $21,000 in sub-district school taxes alone, which meant a sub-district school rate of $1.00 on each $100 of realty in the ward.

Across the river in the old third ward on the Point is a modern twenty-story office building, standing on land fronting

* The figures for old wards were not available for 1910 except where old and new wards coincide.

on Fifth Avenue and Grant Street—land made valuable to a large extent by the growth of just such districts as Beltzhoover; that is, by the growth of the whole Pittsburgh District. The general movement of society; greater congestion in community life, whatever its causes; and the spread of all kinds of education, have done much not only to make such a modern colossus possible, but profitable. In 1910 the property was assessed at $2,350,-000, and it paid a sub-district school tax amounting to $399.50. This was at the rate of 1.7 cents (less than 2 cents) on each $100 of assessed value.

In these two illustrations we have chosen the whole of old ward 38, houses, yards and little stores, to set against the twenty-story Grant Street property, because the total valuations of the two were approximately equal. The rate paid by the neighborhood was more than 50 times as high as that paid by the office building. It is an instance of the wide variation in sub-district school taxes which for many years were levied in the city of Pittsburgh, a municipal unit created supposedly for purposes of economy and justice in local government.

Again, downtown in the old third ward stands another large steel office building. It is owned by one of the important public service corporations of the city; it produces a revenue, and receives the same privileges and advantages as other downtown business property, such as street lighting, street cleaning, paving, sewage removal, fire, police, and health protection. In 1910 the assessors valued the land, most of which fronts on Sixth Avenue, at $220,450, and the building at $307,500, a total of $527,950. The total of all city taxes, both general and school, levied against the property in 1910, was $3,661.68, which was at a rate of 69 cents on each $100 of the total assessed valuation of the property as against a total rate of $1.05 paid by Brown and $1.60 paid by Savich. This rate was so low because one-half of the property was exempt from local taxation as part of corporation property held to be necessary to the operation of its franchise; that is, the company used that half of it for its own offices.

Moreover, in 1910 the same company controlled and operated property in the old fourteenth ward, consisting of over 11 acres of land,—much of it especially desirable because it fronts on the river; brick and frame office buildings; a brick shop; refining, retort, engine, and purifying houses, and so forth, to the assessed value of $888,600. In the old ninth ward, the same company had 40,000 square feet of land, a brick warehouse, foundry, boiler house, and office building, power station, and so forth, with an assessed value of $187,750. On this valuation total of over a million dollars, the company, because of the corporation exemption, was not paying a cent of local taxes, whether for expenses of the general city government, for its separate indebtedness, or for general or sub-district schools.

From these six tax-paying types it would seem that the land classification system in vogue in Pittsburgh well into the twentieth century, enabled big real estate holdings to get out from under the full share of their local responsibilities. By the separate school district rates, big business property seems to have been getting out of part of its share of the cost of popular education. Under the local exemption provisions, public service corporations were relieved of much of their share in city expenses. If these big interests profited by the system, who was making good what they escaped? Was the burden falling on the small man, on the small householder, on the man who conducts a small business, or on the business in which the small man trades?

This was the problem as seen from the point of view of the Pittsburgh Survey in carrying on its general investigations in 1907–08. Hence this supplementary inquiry into taxation facts in 1910, which in turn has played its part in remedying the most glaring of these evils.

II

THE THREEFOLD CLASSIFICATION OF REAL ESTATE

Pittsburgh had long been divided into three parts not only, as Mr. Burns points out,* as a river city, but as a tax area. These divisions constituted a classification of real estate, for taxing purposes, into "agricultural" property paying one-half the tax rate prevailing in the ward in which it is located, "rural or suburban" paying two-thirds, and "full city" property paying the full tax rate. Under the Pennsylvania laws in force up to 1912, cities of

* Burns, op. cit. P. 44 of this volume.

the first and second classes were permitted to classify their real estate for the purposes of assessments, the cities being Philadelphia in the first class, and Pittsburgh and Scranton in the second. The classification plan started with only two divisions—"rural" and "full." In 1854, when Philadelphia was first enlarged, making the city and county limits co-terminous, an act* provided for a discrimination in tax rate in favor of the rural districts as against the built up sections. An act of 1855 provided that "the councils shall not impose taxes upon rural portions of the city, for policemen and watchmen, for lighting and paving, and cleaning streets, and shall make an allowance therefor, of at least one-third of the whole city tax, in favor of such section."† An act of 1868 created the third or "farm" classification. These acts were passed before the time of electric street cars, telephones, electric lights, and before it was thought necessary or possible to honeycomb the city with sewer burrows, water mains, and gas pipes, or to distribute other municipal services over a very large urban area. The 60's saw the twofold system of taxation applied to Pittsburgh, and the 70's the threefold system.‡

The laws were both brief and thoroughly indefinite regarding what should constitute "farm" land, what "rural," or "suburban," and what "built up" or "full" real estate. Fixing the boundaries of the three classes was left largely to the discretion of the city assessors. It appears that the act of 1876§ which provided for the three tax classes was tested as far as the assessors' discretionary powers were concerned in a decision handed down by Judge Stowe of the Common Pleas court in 1893, which, until the new law went into effect in 1912, was used by the Pittsburgh board of assessors as its stated basis for real estate classification. The court defined classes of real estate as follows:

"(1) *Agricultural lands:* Tracts of several acres either untillable or used mainly for growing agricultural products.

"(2) *Rural:* Districts occupied as residences, mainly by business men of the city, not divided into small lots, but large and of unequal size, ornamented with lawns, trees, shrubbery, flowers, etc.

* Act consolidating the city of Philadelphia, 1854. Section 39.

† Laws of Pennsylvania, 1855, Section 13, p. 264. ‡ See Appendix B, I, p. 455.

§ Act of May 5, 1876. Section 3.

"(3) *City:* Either compactly built up as places of business or residences, or localities contiguous to the built up portions laid out into small city lots, partly built upon, and rapidly being sold or improved." *

Thus this three-class system seems to have developed from the 50's on as a result of two things: one, the mania among American cities for extending their corporate limits to great lengths; the other, the theory that taxes are payments for definite benefit bestowed by government upon particular individuals, and its corollary—that in the absence of any part or all of the benefits, the individuals concerned should be relieved of a part of their tax charge. Although the succeeding decades witnessed the development of power, and the spread of transit, lighting, sanitation, and other city services outside of the downtown districts, the tax discrimination dating from the time of an earlier and more restricted equipment was not for a full half century readjusted to changing conditions. It was a case of new wine in old bottles, and the result which the parable forecasts was as certain in public finance as in physics.

With this system of land classification laid down by the law and the court, let us see how it was worked out. Basing the "rural" class on picturesque grounds and shrubbery, and the agricultural class on the presence of woods or large open tracts used in reality or ostensibly for farm purposes, the Pittsburgh assessors returned the real estate valuations for 1909 and 1910 given in the table opposite.

* Other defining phrases in the opinion are as follows:

"Outlying districts to be taxed as 'city' should be of considerable size, something like a village with small lots rather compactly built up with residences and business houses."

"The term 'built up property' should, it seems to me, be construed to mean, not only such part of the city as is compactly built together, but also to include such land as is within those parts of the city generally and used for the purpose of business. Therefore, taking the term 'built up' and 'city' in connection, the most reasonable interpretation of the statute would seem to be that they were intended to mean all such portions of the city as are generally devoted to business purposes (including, of course, residences) and falling within the generally 'built up' part within the city limits."

"Without reference to its technical meaning (the word 'city') I think the thickly populated part of a town where the business is carried on, and where houses and buildings of whatever kind are comparatively close together, with open spaces generally used as adjuncts for business purposes although they may be of considerable extent, and not for mere purposes of ornament or enjoyment, may be properly called 'built up' or city property within the meaning of the Act of Assembly."

TABLE I.—REAL ESTATE VALUATIONS OF PITTSBURGH IN 1909 AND 1910, BY PROPERTY CLASSIFICATION

Classification	Valuation in	
	1909	*1910*
Full	$450,568,356	$534,642,310
Rural	246,912,074	208,224,892
Agricultural	8,252,453	4,674,748
Total	$705,732,883	$747,541,950

In 1910, real estate to the value of $212,900,000, or 28 per cent of all,* was classed in the rural and agricultural groups and escaped with paying only two-thirds or less of the current rate of the wards where located. Let us state this in another way. In making out their tax records for such property, instead of applying two-thirds or one-half the tax rates to the assessed valuations in each case, the assessors found it more convenient to enter as their base amount two-thirds of the assessed value in the case of rural, and one-half in the case of agricultural, property; and then to apply the full tax rates to all three classes. The results, of course, were the same. The incidental effect of this latter method of figuring was to obscure the fact that because of land classification there were wide differences in the tax rates, the full rates which appeared on the published schedule being applied, of course, to bases grossly distorted. The amount of valuation thus obtained, against which rates were applied, was called *taxable value*. Thus in 1910 the taxable value† of real estate in Pittsburgh was reported by the assessors to be $675,480,238, as against a total cash valuation (that is, valuation before one-third and one-half deductions were made) of $747,541,950. That is, practically 10 per cent of the total cash values brought in no tax revenue whatever to the city.

* The excess to which the system was carried in Pittsburgh is illustrated by comparing with Philadelphia, where the 1910 assessment showed the "rural" and "farm" valuations combined to be only 5 per cent of the total city valuations.

† After deducting $3,685,015, taxable personal property, from the total taxable value.

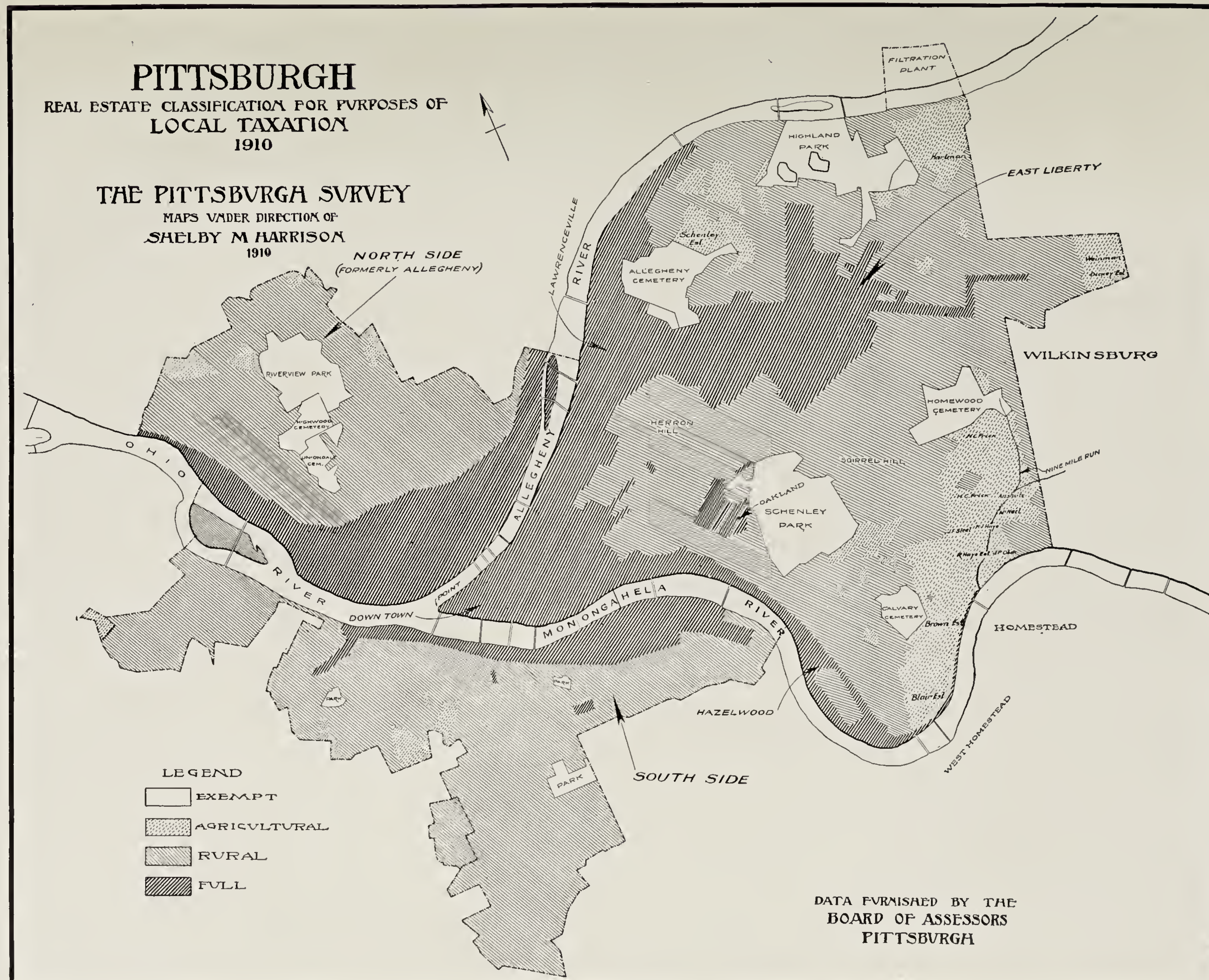
This percentage represented one-half and one-third deductions made to persons who were able to own property adorned with flower beds and shrubbery, and able to hold intact and out of the market large areas of unplotted city land.

In dollars and cents, therefore, in 1910, as result of this system of classification, over one-fourth of the real estate of Pittsburgh was relieved of one-third or more* of its tax rates; or, stated another way, over $70,000,000 worth of real estate values were completely wiped off the assessment books that year. The proportions had been higher and not lower in previous years.

Turning to the geographical working out of the classification program, we find that a map showing full city property throughout a decade would follow much the same general outlines as that part of a geological relief map locating the bottom lands of the city; or, again, with a few additions, as the parts of a weather map showing the city lowlands over which river mists occasionally hover. Finally, in a map showing density of population, a very general correspondence would be found between "full" property and the most congested wards of the city. The "full" area throughout this period included roughly the lower half of the North Side (formerly Allegheny) lying between the hills and the river; the level bottom lands on both sides of the Monongahela and Allegheny rivers used principally as factory, mill, and tenement sites; all the triangular downtown business district lying between the rivers; all the congested tenement district up the hill from the business triangle, and many outlying small business patches. Except for the East End table land and Oakland,† which had just been added, the real estate which paid full rates in 1910 was made up almost entirely of business holdings and of family and lodging house neighborhoods of which Woods Run, Hazelwood, Soho, the Hill District, Bloomfield, and Lawrenceville are types. This, of course, was not a mere coincidence, since statutes and courts had defined full city property as closely

* One-half in case of agricultural land.

† The section of small residences known as Oakland, the East End business district and adjacent residence neighborhoods centering around East Liberty, and most of the broad table land used almost entirely for residence, which stretches west from East Liberty to the Allegheny River, were thrown into the "full" classification in 1909.


PITTSBURGH
REAL ESTATE CLASSIFICATION FOR PURPOSES OF
LOCAL TAXATION
1910
THE PITTSBURGH SURVEY
MAPS UNDER DIRECTION OF
SHELBY M HARRISON
1910
NORTH SIDE
(FORMERLY ALLEGHENY)
RIVERVIEW PARK
HIGHWOOD CEMETERY
OHIO
RIVER
DOWN TOWN
POINT
ALLEGHENY
RIVER
LAWRENCEVILLE
MONONGAHELA
RIVER
ALLEGHENY CEMETERY
Schenley Est.
HIGHLAND PARK
FILTRATION PLANT
Harkman
EAST LIBERTY
HERRON HILL
OAKLAND
SCHENLEY PARK
SQIRREL HILL
HOMEWOOD CEMETERY
WILKINSBURG
NINE MILE RUN
CALVARY CEMETERY
Brown Est.
Blair Est.
HOMESTEAD
WEST HOMESTEAD
HAZELWOOD
SOUTH SIDE
PARK
LEGEND
EXEMPT
AGRICULTURAL
RURAL
FULL
DATA FURNISHED BY THE
BOARD OF ASSESSORS
PITTSBURGH

built up property, and since classification and congestion, in some measure, as will be shown later, bore the relations to each other of cause and effect.

Land classed as agricultural formed a smaller part of the city's area than that in either of the other classes. It consisted in 1910 mainly of a number of hillside and valley tracts scattered along the North and South Side borders of the city, the Stanton Heights Golf Links, the high hill overlooking the Allegheny, opposite the filtration plant, and an oblong tract of over 800 acres stretching southwest from Homewood Cemetery to the Monongahela River. A large portion of this latter area was made up of the wooded hills edging on Homewood Cemetery; the golf links and open ground surrounding the Country Club; and the hillsides across the river from Homestead and West Homestead,—all of this land, with the exception of that immediately ruffling Nine Mile Run, being well suited for plotting into residence sites, well within reach of work and business, and adjacent to utilized land.

The so-called rural land made up the remainder of the city. It comprised, excepting the patches of agricultural land here and there, principally the high-lying half of old Allegheny; the hills of the South Side; the three high areas, Herron Hill, Hazelwood, and Squirrel Hill, which wall in Schenley Park; much of the land immediately adjacent to Highland Park; and the extreme east central part of the city. The dominant type of property holdings in all these neighborhoods is the well-to-do residence.

This cutting up of the city into the three classes resulted in curious, not to say inexcusable, incongruities and inconsistencies. As far back as 1877 inequalities were observed by Thomas H. Phelps, then chief assessor, who on July 30, in Spencerian hand, made the following note in the assessor's "book of rates":

> "One of the most radical changes effected with the advent of this Board was that in regard to the *Classification* of real estate. Under the old system (see 1872) all property comprehended within certain arbitrary geographical limits were designated as 'rural' and an abatement of one-third made in the rate of taxation thereon without consideration of the intrinsic character of the property itself, presenting the anomaly of the entire 1st precinct of the 14th ward, for instance, being assessed at rural rates while property of precisely similar character contiguous in the 6th ward bore the full rate of taxation.

"Likewise considerable property in the old districts similar and contiguous to property in rural districts were assessed full rate, but were equally entitled to a discount with the rural districts as far as municipal benefits were concerned."

Thirty years and more of experience in administering this fiscal anachronism failed to eliminate all of what Mr. Phelps called anomalies. Two classes of incongruities stamped the assessment books in 1910, those affecting large areas and those affecting small:

Extensive property on the north side of Centre Avenue, from Millvale Avenue out to Liberty Avenue, was classed as full in 1910, while that lying just across the avenue, very similar in character—more built up if anything—had the benefit of rural rates. Similarly, all that part of the new seventh ward east of St. James was classed as full, while just across Fifth Avenue all of the expensive Squirrel Hill property came in for rural rates. Again, the properties on Jones Street, which clutch the steep hillside running down from Grant Boulevard to the Pennsylvania Railroad, were under full classification, while across the boulevard and a little further up the hill, much the same kind of real estate enjoyed the two-thirds rate.

Further, a great deal of land fronting on the East Side of Beechwood Boulevard and Saline Avenue in the eastern part of the city, and other land lying very close to these streets and extending east beyond Nine Mile Run, was classed as agricultural. Except for the land closely contiguous to the Run, the greater part of this land would make precisely as good building sites as that just across, and on the west side of the boulevard, which latter was classed as rural and paid two-thirds the tax rate as against one-half the rate paid in the section east of the boulevard.

Similar instances affecting whole districts might be cited at considerable length. Looking next at individual pieces of property:

On North Highland Avenue was a block, bounded by Stanton Avenue, Beatty, and Hays Streets. This in 1910 exhibited two taxation classes. The property fronting on North Highland and Stanton Avenues was classed as rural, while just across Supreme Alley, which runs through the block and parallel to North Highland Avenue and Beatty Street, the properties fronting on Beatty Street were classed as full. North Highland has the street car line, giving it that full city character, but the Beatty Street properties, while they do have some yard space, are closely built up.

The block described is on the north side of Hays Street and on the west side of North Highland Avenue. Coming south of Hays Street on the same side of North Highland, the next block, owned clear through to Beatty Street by one person, in 1910 was classed as rural. Coming south again, the next block on the same side of North Highland is between Black and Margaretta Streets, and property in it fronting on North Highland was classed as rural, whereas south again from Margaretta, properties all the way down to Rippey Street were classed as full.

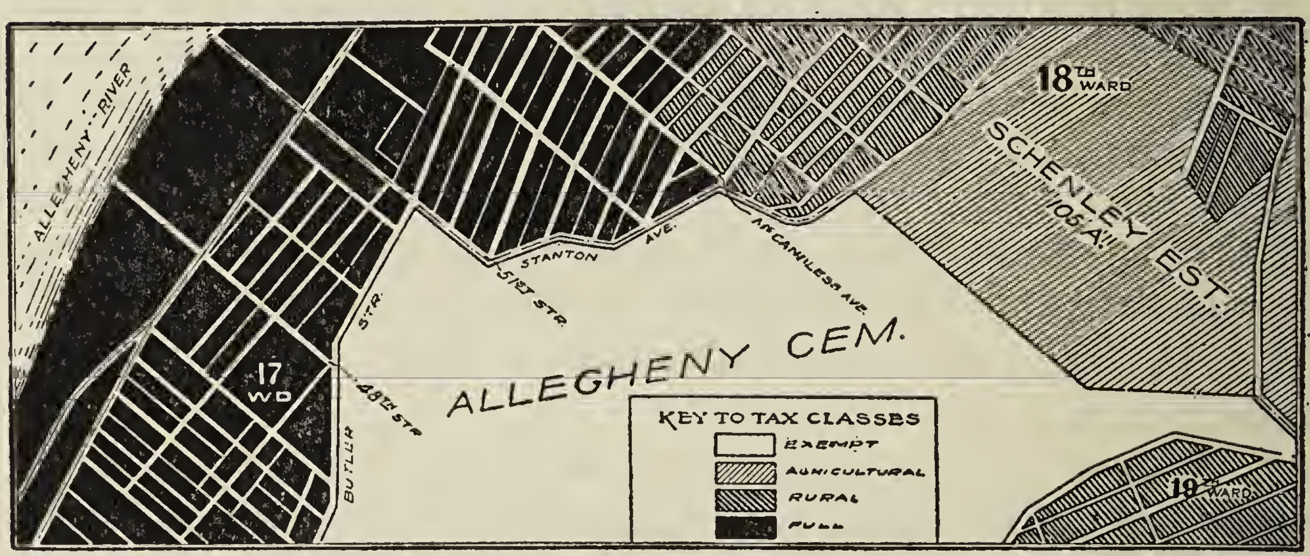
Again, in Hazelwood is a block bounded by the following: Blair, Tecumseh, and Lafayette Streets, and Hazelwood Avenue. Blair Street on one side and Lafayette on the other run the long way of the block. Properties fronting on both sides of Blair Street in this block and across the street were classed in 1910 as full. Real estate on the opposite side of this block from Blair Street was classed as rural. Thus we have the anomaly of several individual lots running through from Blair Street to Lafayette, and subjected to full classification on Blair Street, and to rural on Lafayette Street. When the assessment was first made, most of these lots were assessed as fronting on Blair Street only, and thus classed as full. Later, a number of owners succeeded in getting their property assessed as fronting on Lafayette Street, and thereby thrown into the rural class. As the block stood in 1910 it presented four pieces of property fronting on Lafayette Street classed as rural, and six pieces fronting on Hazelwood Avenue classed as full,—the anomaly extended to its n^{th} power.

In the Oakland neighborhood another illustration was found:

Here is a block bounded by Forbes Street, McKee Place, Louisa Street, and Coltart Square, and divided into three unequal parts by two alleys meeting at right angles. The first part fronts on Forbes Street, which is one of the main arteries running through the city, and contains four lots that are only 23 feet wide, one larger lot with a large residence upon it, and three double houses built close together. And although property just across McKee Place, fronting on Forbes and not more closely built up, in 1910 was classed as full, still for some reason this particular cluster of lots got off in the same year with the two-thirds rate. The second part of the block fronts on McKee Place. Lots in it are 180 feet deep and range from 45 to 50 feet in width. They were adjacent on two sides to "rural" property; at least half of this rectangle had no buildings whatever on it; and yet these 10 lots fell victims to a full classification in 1910. The third part of the block fronts on Coltart Square, and contains 14 lots which have only half the depth of the adjacent "full" lots in part two. None of the 14 are over 35 feet wide,—some are less. And each lot has a house; yet this built up property was classed as rural. So also were all the lots which make up the narrow parallelogram across Coltart Square, extending from Louisa Street through to Forbes Avenue.

But why multiply instances? These were found casually, while searching for other data. A deliberate ferret for inequalities would have unearthed many others. Waiving for the moment any question as to the system itself, its application was evidently peculiarly open to discrepancies at the hands of a conscientious assessor or to deliberate favoritism at the hands of others.

Next let us look at injustices that were more inherent in the system itself. Up from the Allegheny Cemetery and Highland Park are the 105 acres of good high-lying land suitable for plotting into city lots described in one of the illustrative paragraphs with which this study opened. These have been owned by the late



THE PITTSBVRGH SVRVEY

Mary E. Schenley, her antecedents, or her heirs, since before the Revolutionary War. Except for the cemetery side, this land is almost entirely surrounded by populous neighborhoods. On the east is the growing district centering in East Liberty, and on the west is the congested tenement region which is literally dammed up against the fences of the farm—a part of Lawrenceville shoved up the river.

This land was put through only the motions of farming, hay being the only crop that amounted to anything, and yet until 1912 it never paid more than the agricultural one-half rate. Within 300 yards of the Schenley property is the large district around McCandless Avenue and Wycliffe Street, where many

Taxed One-half—

—and Held Out of the Market for Years

The open space in the foreground of the above [adjoining sections of one plot] was classified as "agricultural," paying only one-half the tax rate applied to other real estate in the ward. The reader in looking at the pictures looks toward the outskirts of the city. The denser part of the city is behind him—showing how the city completely encircled this large plot.

TAXED "FULL"
West side of Plum Alley, between 48th and 49th Streets

BELLEFIELD AND "RURAL" EAST END
Built up almost solidly to the tall white building in the distance

work people live close together on real estate which has paid full rates for years.

In the Bellefield district of the old fourteenth ward (new fourth), lying between Center and Fifth Avenues, is another tract of very nearly the same area, owned by Mrs. Schenley* or her estate until 1905, and in 1910 still mortgaged to her heirs. This tract has come to be known as the Schenley Farms. It has been accessible for years by three street car lines, and is less than twenty minutes from the Point. Despite its availability, for twenty-five years and more this land, located strategically between the growing downtown and Hill districts on the west and the East End and the Squirrel Hill districts on the east, was held intact. The explanation lay in the fact that it paid a tax rate of not over two-thirds, and for most of the time not over half, of the rate assessed against other property in the same ward.

In 1886 the property (103 acres) was classed as agricultural. It continued in this class until 1889 when 14 acres were changed to rural. The remaining 89 acres continued in the agricultural class until 1892 when the area was split into three sections and the total acreage was reduced to 93. Two of these sections, comprising 90 acres or 97 per cent of the whole, were classed as agricultural, thus leaving three acres classed as rural. From 1892 this classification continued until 1898. From 1898 to 1901 all 93 acres were rural. In 1901 again a division was made, one-third being classed rural and the remaining two-thirds of it being thrown back into the agricultural class. This classification held until 1904 when the whole area was again given the benefit of the agricultural half rate, a complete reversal of the logical and proper development of classification changes. No change in the classification or valuation appears from 1904 until 1907, although on April 15, 1905, the land was deeded by the Schenley trustees to Frank F. Nicola, *et ux.*, the consideration

* Mrs. Schenley's maternal grandfather was General James O'Hara, an Indian trader and an American officer in the Revolutionary War. Her paternal grandfather was Major William Groghan, captain of the Fourth Virginia Regiment in the Revolutionary War. While attending a seminary on Staten Island, the young heiress became acquainted with Captain Schenley, a relative of the head of the school. The captain was forty-five years of age and twice a widower; Miss Groghan was fourteen. Their marriage was an elopement due to the objection raised by her father to his daughter's union with an English army officer. From her marriage to her death in 1904, Mrs. Schenley spent most of her life in England. The Allegheny County register of wills shows regular remittances to Schenley heirs in England averaging over $175,000 annually as net income, and remittances of capital which, because of the great appreciation in value of the holdings, are in reality net income, averaging over $200,000 annually for a number of recent years.

being \$2,500,000,—almost three times the assessor's valuation to which the agricultural one-half tax rate had been and was being applied. On May 3, 1905, this property was deeded by Frank F. Nicola, *et ux.*, to the Schenley Farms Company, consideration \$2,500,000. In 1907 Schenley Farms, including the same acreage as in 1904, was recorded on the assessors' books at a valuation of \$1,694,200, and under rural classification, paid a two-thirds rate on that amount; the equivalent of a full rate on 45 per cent of the sales price. This classification and valuation held until 1910 when land valued at about one-seventh of the total taxable valuation was classed as full, the remainder continuing rural. This highly favored area was spoken of in the columns of the Pittsburgh *Gazette* on November 7, 1903, as follows:

"Today the most conspicuous example of Schenley property that is holding back the growth of the city is the farm in the 14th ward, occupying the Herron Hill slope and extending down to and out Fifth Avenue. Visitors to the city are prone to express their amazement at the old farm house and dairy barn that stand near the middle of the plot in the very heart of one of the best residence districts of the city. Here is room for hundreds of high class houses, which no doubt would have been built long ago if the property had been released. If this were graded and put on the market today it would make the most notable addition to Pittsburgh residence sites ever opened."

Similarly, on the South Side hilltop known as Grandview is a tract of more than 100 acres of land which for years, as the Bailey Farm, was held intact. It stretches south from the crest of the bluff which is just across the Monongahela River from the business district on the Point. It was advertised by the real estate company which purchased it and cut it into building lots as being within a seven-minute street car ride (via the Washington tunnel) from the heart of the city—not an exaggeration. While this land remained unimproved for several decades, the city kept crowding in upon it from all sides, increasing its value. Yet in the local taxation jargon it was "farm" land.

Look at twenty-five years of its tax history. From 1886 until 1892 the property in one lump was classed as agricultural. In 1892 five acres of the farm were changed to rural, but the remaining acreage remained in the agricultural class until the triennial assessment year, 1901. This classification continued until the transfer of the land was made to Wood, Harmon and Company, in 1902. The property thus came into the hands of an outside real estate firm which had no traditional standing in

Taxed "Full"

Taken from Jones Street, looking toward Thirty-third Street. Just beyond and above Union Station

Taxed One-third Off

A private road running through one of the expensive districts. This property paid only two-thirds of the rate paid by more congested property in the ward

High Hills and Low Taxes

A view showing the nearness of the Grandview unimproved (one-half taxed) property to the heart of downtown Pittsburgh the community, or local connections, whether personal, political, or what-not, and immediately thereafter the land was classed as rural; incidentally, the taxable valuation being increased by a generous percentage. The discriminating rate had enabled its former owners to keep it out of the market both easily and profitably. The statements made by the developing company in an advertising pamphlet gotten out soon after the land came into their hands are decidedly in point:

GRANDVIEW

Our Twelfth Pittsburgh property is in the Thirty-second Ward of Pittsburgh, easily and quickly reached by four lines of transportation (see last page of this booklet), and within a mile and in plain sight of the Post Office.

For over half a century this magnificent property was held practically intact as a single estate by one family. Perhaps a dozen lots or so were parted with out of the entire tract during all these years, but this is all, and this too, in the face of constant clamorings on the part of real estate dealers and capitalists and the natural demand of the general public because of its immensely desirable points as residential and business property.

The holding of this property by one family for over fifty years while the city built up to it on all sides, created a condition absolutely unique and placed in our hands an opportunity for you to make money seldom if ever heard of in real estate circles for

Grandview is the Last Property within a mile of the Skyscraper District

To fully appreciate it and the opportunity for a home or investment, or both, that it affords, *you must realize that it is city property in every sense* and that it is not only the last undeveloped tract of acreage within a radius of one mile from the Pittsburgh Post Office, but that practically all of the vacant lots within the one-mile circle are embraced in GRANDVIEW. The territory within the one-mile radius (outside of GRANDVIEW) is built solidly, with the exception of some few scattered lots which are held at enormous prices, and had GRANDVIEW been put upon the market ten years ago, it would today be as solidly built upon as the city blocks entirely surrounding it.

Other examples of this phase of the local tax scheme, such as the Ewart "farm" on Center Avenue and Iowa Street, long given the half rate, the Kaufmann and other lands in the Calvary Cemetery neighborhood, could be cited.

Although some of this "agricultural" land was in 1910 under cultivation, only a small part of it, if any at all, was bona fide farm land; much of it had known neither the plowshare nor scythe, but had got its rusticity either by standing heavily wooded or by pasturing a few cows and horses. Far the greater portion was valued by the assessors in 1910 at over $2,000 an acre. Some was valued as high as $9,000 per acre. The average value of farm land in the great farming states of the Mississippi Valley will not exceed $150 per acre; and no one considers the surplus, which the farmer makes, above what might be regarded as wages from his own labor, to be at all inordinate.

It is doubtful whether land worth $900 or $1,000 an acre, located as favorably to the market and cultivated intensively in truck gardens, would pay average investment returns from tillage alone. How, then, could two, five, or ten-thousand-dollar land do that, when hardly cultivated at all? The balance, of course, was made up by the increase of land value. The land was in reality being held by wealthy individuals or estates for the rise in values, and this is the class of real estate which paid only one-half the tax rate. Its owners were such persons as are particularly able to pay taxes in the support of government.* Scarcely less able to pay were the owners of the detached houses, with yards ranging from a mere ribbon of grass to broad belts a block or two in width in the districts classed as rural. They ranged from the modestly prosperous, say those buying their own homes, to the very rich. Parts of the North Side, South Side, and the Herron Hill rural districts were the exceptions.

It was therefore the system itself rather than any or all inconsistencies in its application which was most open to criticism. We have seen that the territory classed as full comprised in the main all business districts, including manufacturing sites and railroad properties, and the congested residence districts

* It may be objected that the classification system was never intended to be in accordance with the theory of taxation based on ability to pay. Discussion of this is deferred to page 181, where the subject of justice in taxation is considered.

where the mass of the work people live. Of these it was the latter, and the small storekeepers who served them, that suffered.

For the former, the situation was mitigated in various ways. Sixty-six feet of right of way, as well as a considerable amount of other real estate owned by railroads operating in the city, was exempt from local taxes, and therefore did not suffer from the full classification. Manufacturing properties, as is pointed out later, by certain exemptions and tendencies toward leniency in valuations, got off with a much diluted full rate. Other downtown business property, through the system of separate sub-district school taxes, which will be discussed later, had a low rate compared with small shops in the working class neighborhoods. The greatest anomaly of all, therefore, was that those financially least able were subject to full classification and therefore to the maximum city rates.

Agricultural land, of course, had few, if any, buildings upon it which were used as dwellings. The connection between this classification of land and the undersupply and overcrowding of workingmen's houses found in many neighborhoods by the Pittsburgh Survey was direct. For a generation Pittsburgh had been entangled with a taxation scheme which, because of discriminations, made it easy for individuals and estates to hold great areas of unimproved land, but which, on the other hand, went gunning for the man who bought and improved a small tract, and leveled at him what was in effect a double tax rate. The first was rewarded for doing nothing further than hold the land while the community grew and made it valuable, but the second was penalized for doing something which directly increased not only his own but all land values.

The local tax system, moreover, included features other than classification which led to inequalities of burden. Of these, the unequal tax rate due to the separate sub-district school tax was as great an anachronism.

III

PITTSBURGH SEPARATE TAX RATES

The two most distinctive features of Pittsburgh's tax system operating up to 1912 were the classification of real estate and the varying tax rates prevailing in 63 separate tax districts within the city limits. Although the classification system already described modified the working of the separate ward rates, the latter can be best taken up at this point as a thing by itself.

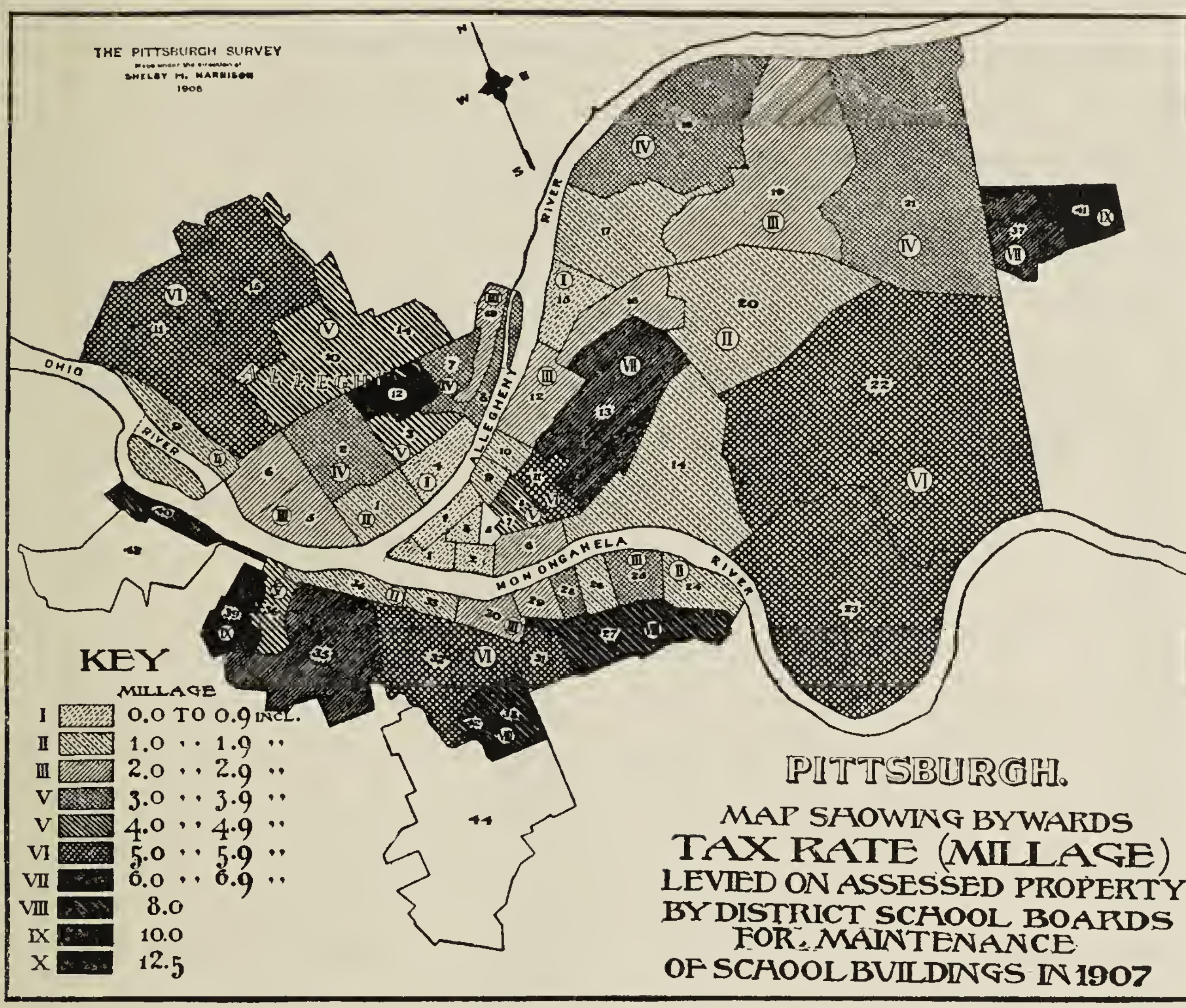
It argues little or nothing as to the relative tax burdens borne by two persons to say that the cash payment by one is ten, twenty, or a hundred times greater than that paid by another; for the one may be ten, twenty, or a hundred times more able to pay. In such a case the larger amounts represent sacrifices only equal to, not greater than, those made by the less able. The heaviest tax strain, therefore, is not necessarily felt where the sum paid is largest, but where the rate of payment, based upon ability, is the highest. Tax rates, therefore, as the economists put it, are better measures of the pressure of taxation than absolute amounts in taxes.

One of the heaviest burdens of modern city dwellers is the cost of the school system. The Pittsburgh scheme of tax rates was until 1912 such that it was possible to gauge where and how that pressure bore down. While current city expenses were met out of a general rate, the erection and maintenance of school buildings was met by separate levies in the 63 tax districts referred to. The North Side paid a tax for general school purposes which was not assessed in other parts of the city. Another factor which led to further differences as between tax districts was the variation in the rates for meeting special indebtednesses.

When the cities of Pittsburgh and Allegheny were consolidated in December, 1907, and the consolidated city was then newly subdivided, making 27 new wards out of what had previously formed 59,—44 in Pittsburgh and 15 in Allegheny,—no provision was made for levying taxes on the new ward basis. At the triennial assessment of property made in 1910, therefore, the descriptions of property were recorded in the assessor's books on the new ward basis,—a mere matter of bookkeeping,—but the rates were applied according to the old ward divisions, as had been the case for years past. Thus, in the consolidated re-districted Greater City the assessors necessarily went on applying 63* separate tax rates, practically all different from one another.

* In 1910 there were 60 old wards, one having been added since consolidation, and three of these were divided into two taxing districts each, thus making 63 in all within the city borders.

The re-districting, if anything, added to the confusion with respect to taxation in the mind of the average citizen. For example, the new eighteenth ward was made up of the old thirty-first, thirty-eighth, forty-second, and a part of the forty-fourth, the thirtieth, and the thirty-second. Six different city tax rates applied to real estate within its borders. The only saving grace of the situation lay in the fact that it threw to the surface some of its most glaring inequalities and by thus condemning it,



PITTSBURGH.
MAP SHOWING BY WARDS
TAX RATE (MILLAGE)
LEVIED ON ASSESSED PROPERTY
BY DISTRICT SCHOOL BOARDS
FOR MAINTENANCE
OF SCHOOL BUILDINGS IN 1907

helped pave the way for change. Thus, in this eighteenth ward, property on the south side of McKinley Park was paying 13.3 mills,* while just across on the north side of the narrow park the rate was 28.7 mills,—over twice as much; property on the south side of Washington Avenue was bearing 23.9 mills at one place and 28.7 mills at another, while that across the avenue from both

* Whereas in the earlier sections of this report tax rates have been given in terms of dollars per $100 of tax valuation, from this point the rates will be given in mills on the dollar, since the latter is the method used in the Pittsburgh rate schedules. It is obvious that 13.3 mills on the dollar is equal to $1.33 on $1,000.

of these bore 18.7 mills; property east of Beltzhoover Avenue was carrying a millage of 19.2, while that contiguous and west of the avenue carried a rate of 18.7 at some places and 28.7 in others.

The schedule of these tax rates is given below in the exact form used by the assessors in 1910.

TABLE 2.—SCHEDULE OF TAX RATES USED BY THE PITTSBURGH ASSESSORS IN 1910

PITTSBURGH

	Mills		*Mills*
Current Expense	7.5	18th Ward S. D. S. . .	3.
1st to 38th Wds. Sept. Indebt.	6.2	19th " " . .	2.
39th Wd. Elliott Sept. Indebt.	5.6	20th " " . .	1.
40th Wd. Esplen Sept. Indebt.	4.6	21st–1 " " . .	4.5
41st Wd. Sterrett Sept. Indebt.	4.2	21st–2 " " . .	2.5
42nd Wd. Montooth Sept. In-		22nd–1 " " . .	3.33
debt.	9.4	22nd–2 " " . .	4.4
43rd Wd. Sheraden Sept. In-		23rd " " . .	4.5
debt.	4.9	24th " " . .	2.
44th Wd. West Liberty Sept.		25th " " . .	3.
Indebt.	2.8	26th " " . .	2.5
Beechview Boro Sept. Indebt.	8.9	27th " " . .	5.25
1st Ward S. D. S. . .	.5	28th " " . .	1.5
2nd " " . .	.4	29th " " . .	2.
3rd " " . .	.1–6	30th " " . .	2.
4th " " . .	.25	31st " " . .	5.5
5th " " . .	.75	32nd " " . .	5.
6th " " . .	.75	33rd " " . .	1.75
7th " " . .	5.	34th " " . .	2.5
8th " " . .	5.	35th " " . .	6.
9th " " . .	.5	36th " " . .	6.
10th " " . .	.5	37th " " . .	5.5
11th " " . .	7.5	38th " " . .	15.
12th–1 " " . .	2.	39th " " . .	7.
12th–2 " " . .	1.75	40th " " . .	8.
13th " " . .	5.	41st " " . .	9.
14th " " . .	2.5	42nd " " . .	7.
15th " " . .	1.3	43rd " " . .	10.
16th " " . .	2.3	44th " " . .	3.
17th " " . .	2.25	Beechview	4.

NORTH SIDE, FORMERLY ALLEGHENY

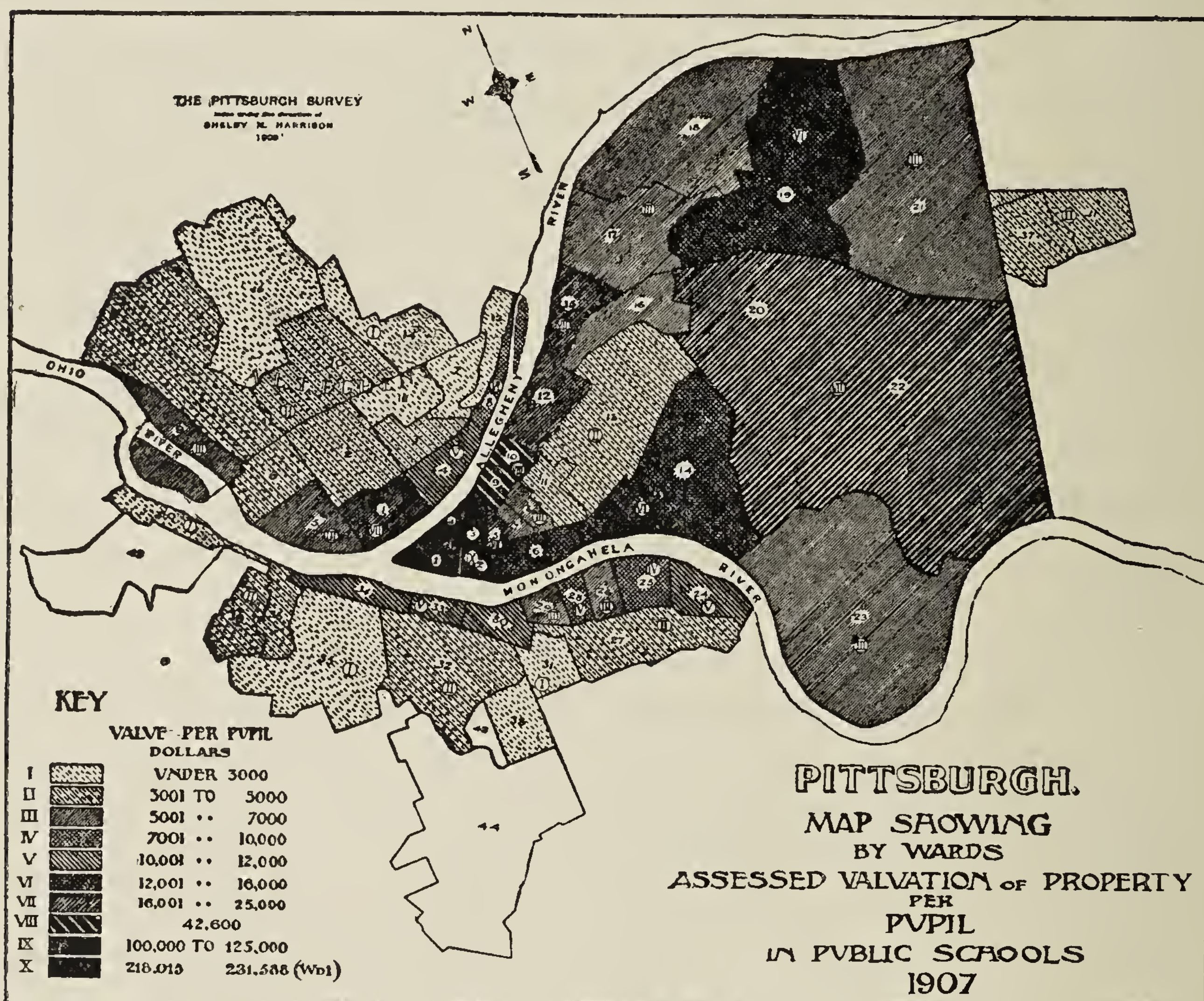
	Mills		*Mills*
Current Expense	7.5	7th Ward S. D. S. . . .	8.
1st to 15th Wards Sept. Indebt.	6.	8th " " . . .	2.
General School Tax . . .	3.5	9th " " . . .	1.5
1st Ward S. D. S.	1.	10th " " . . .	10.
2nd " " . . .	3.5	11th " " . . .	5.
3rd " " . . .	4.5	12th " " . . .	9.
4th " " . . .	1.	13th " " . . .	2.8
5th " " . . .	5.	14th " " . . .	3.5
6th " " . . .	2.5	15th " " . . .	6.5

A city may be defined as a large settlement of people living close to each other, who, for economy, through the savings due to large scale production, have bound themselves together into a local government whose business it is to furnish such services as shall be for the greatest good to the largest number. It therefore furnishes protection to property, life, and health; it provides public thoroughfares, public parks, public education, and so on. Not so, however, in Pittsburgh before 1912, with regard to popular education. Instead of being a united city, it was a cluster of small wards each going its own way,* with no more unity than if they were scattered over all western Pennsylvania. A bewildering mixture of assessment percentages such as this plan embodied, violates one of the first canons of taxation, —that of simplicity of administration. It made intelligent criticism by citizens and correction of incongruities by the assessors, particularly difficult.

To the average tax payer this wilderness of rates was both complex and unsolvable. The contrast between such a plan and the single rate for a whole municipality, used by other large cities, is striking. For instance, in 1910, 1911, and 1912, Boston applied the single city rate of 16.4 mills on the dollar to all wards; in 1913, in all taxing districts in the city of New York, including the boroughs of Manhattan, Richmond, Brooklyn, Queens, and the Bronx, a total of 326.89 square miles, as compared with Pittsburgh's 41.35 square miles, only three tax rates were employed, the same rates prevailing in Manhattan and Bronx, and in Brooklyn and Queens; in 1913, Washington, D. C., levied 15 mills in all wards; and other cities might be named. In contrast, the Pittsburgh schedule given above showed various rates applied in the taxing districts, but the total rate applied in each of the 48 areas was not set forth. For the old city, a citizen had, in figuring his ward rate, to add together the millage rates set down for current city expenses at the top of the table, plus the rate for separate indebtedness, if any, which applied to his ward (of these there were eight district rates), plus the rate for sub-district school expenses in his particular school district. On the North Side he could figure it out by adding four entries: current expense, separate indebtedness, general school expenses, and his sub-district school expenses.

* See North, op. cit. P. 217 of this volume.

The exact content of each of these items is defined in Appendix II* wherein the total rates for each ward, and the three or four district factors which enter into it, are set forth. That no less than 41 differing rates were found to have resulted from these combinations, further illustrates the fiscal jugglery which the system involved. But, bad as was its confusion, the human and civic bearings of this hodge-podge of rate pressure more deeply concerned us. These were to be found by a study of the rates through



which each sub-district shouldered its own expenses, salaries excepted, for erecting and maintaining schools.

These rates in 1910 were as low as one-sixth and one-fourth of a mill in downtown business wards, the third and fourth, that were no longer used for residence neighborhoods, and where the maintaining of district schools was practically a farce;† and they

* See Appendix B, II, p. 456.

† Miss North's article, already referred to, describes downtown schools and shows the inducements made pupils in order to keep the enrollment up.

ran as high as 15 mills in the old thirty-eighth ward (Beltzhoover) where, as we saw in our introduction, the cash value of the whole ward was less than that of single real estate holdings downtown.* Thus the sub-district rate as it stood in Beltzhoover was 90 times larger than the rate in the old third ward, and 60 times the size of the rate in the old fourth ward.† These, of course, were the extreme cases, but they showed the trend of difference between rates levied in the valuable business wards and those in the residence districts, which resulted under the system.

A better comparative estimate of the sub-district rates as between the downtown wards on one hand and the outlying wards on the other, however, was to be had by averaging the rates in the 10 old wards which made up the downtown business portions of the old Pittsburgh and of the North Side,‡ and by standing this rate up beside the average of all rates in the belt of residence wards which, north, south, and east, border the boundaries of the city.§ In the first case the average sub-district rate equaled fifty-eight hundredths of a mill, a little more than half of one mill, while in the second it amounts to 6.05 mills. It is seen from this that the remoter districts of the city which are occupied principally by householders were assessed an average sub-district school millage over ten times as high as that levied upon property used entirely for business. The people in the residential wards, where naturally there is a greater demand for schools and where valuations are relatively small, are the ones who make most of the downtown values through their downtown trading and by increasing the general demand for the best real estate sites; yet these people were getting no share in those benefits as far as their sub-district schools were concerned, but had to go on paying their high mil-

* See table of sub-district school rates arranged in the order of their increase, Appendix B, III, p. 459.

† Allowing for the rural classification in Beltzhoover which brought the real millage down to 10, Beltzhoover still paid 60 times as high a sub-district school rate as was paid in old ward three. In 1909 all the real estate in Beltzhoover was valued at $2,000,176 and at something over $2,100,000 in 1910. In 1910 the Frick building was valued at $2,350,000—that is, at more than the whole thirty-eighth ward. The sub-district school tax levied against the third ward office building was $399.-50; small home owners in Beltzhoover paid $21,000, S.D.S.—a sum 53 times as large.

‡ As follows: Wards 1, 2, 3, 4, 5, 6, 9, 10, 1 N. S. and 4 N. S.

§ As follows: 7 N. S., 14 N. S., 15 N. S., 11 N. S., 43, 39, 35, 32, 44, 38, 31, 27, 22, 37, 41 and 21.

lages as if they formed no integral part of the city as a whole.

Nor were these differences in school millage mere bagatelles, of a sort to be lost in the general tax rates. They dominated the final rates as they spread out over the city to such an extent that had we made a contour map of Pittsburgh on the basis of its tax rates, it would have presented almost as uneven a surface as do the real hills and valleys that make up the town's site. The shadings in the map of separate tax districts illustrate this to a degree. The total rates, ranging from 13.3 mills to 28.7, follow:

TABLE 3.—PITTSBURGH (NOMINAL) TAX RATES, BY WARDS, IN ORDER OF SIZE OF RATE. 1910

Rates stated in mills on the dollar of valuation

Ward [a]	*Total Rate in Mills*	*Ward*	*Total Rate in Mills*
44	13.30	23	18.20
3	13.87	9 North Side	18.50
4	13.95	7	18.70
2	14.10	8	18.70
1	14.20	13	18.70
9	14.20	32	18.70
10	14.20	27	18.95
5	14.45	8 North Side	19.00
6	14.45	31	19.20
20	14.70	37	19.20
15	15.00	6 North Side	19.50
28	15.20	35	19.70
12^2	15.45	36	19.70
33	15.45	13 North Side	19.80
12^1	15.70	39 Elliott	20.10
19	15.70	40 Esplen	20.10
24	15.70	Beechview Borough	20.40
29	15.70	2 North Side	20.50
30	15.70	14 North Side	20.50
17	15.95	41 Sterrett	20.70
16	16.00	11	21.20
14	16.20	3 North Side	21.50
21^2	16.20	5 North Side	22.00
26	16.20	11 North Side	22.00
34	16.20	43 Sheraden	22.40
18	16.70	15 North Side	23.50
25	16.70	42 Montooth	23.90
22^1	17.03	7 North Side	25.00
1 North Side	18.00	12 North Side	26.00
4 North Side	18.00	10 North Side	27.00
22^2	18.10	38	28.70
21^1	18.20		

[a] Where a ward consists of two tax districts, the divisions are indicated by the superior numbers 1 and 2.

The first nine districts listed in the table had rates in 1910 under 14½ mills. An inspection of the map shows* that they represented practically all of the valuable holdings in the business triangle up from the Point, and included no other holdings. At the other end of the list there are 17 tax sections which carried rates of over 20 mills, and a glance at the map shows, excepting parts of the second, third, and fifth North Side wards, that these districts were almost exclusively residence districts. They made up a very large proportion of the residence area of the city. Moreover, with a few exceptions, these high rate areas did not represent or include the most expensive residence districts, those most able to bear taxation. They were mainly small home-owning or congested renting neighborhoods. The old nineteenth, twentieth, twenty-first, and twenty-second wards—all of them large wards made up for the most part of residence properties which would be classed among the more expensive in the city—were conspicuously absent from the 19 districts with highest rates.

Considered quite independently of the classification system —described under Section II—the ward rates indicated that the heaviest tax burdens in Pittsburgh in 1910 were not felt by owners of downtown business holdings or expensive residence property, but by owners and renters of small houses and tenements.

IV

RESULTS OF THE COMBINATION OF CLASSIFICATION AND SEPARATE WARD RATES

It has been seen that land classification when considered alone, resulted in the full tax rates being levied mainly upon real estate used for business sites, large and small stores, and upon that occupied by the great mass of the working population in the city. It has been seen that the separate ward rates, when considered alone, tended to throw the highest rates upon the congested residential districts and also upon the North and South Side areas built up for the most part in small homes. These factors did not work independently of each other. What was their result, working

* The exception is the forty-fourth ward which has a special reason for its low rate. See Appendix B, II, p. 457.

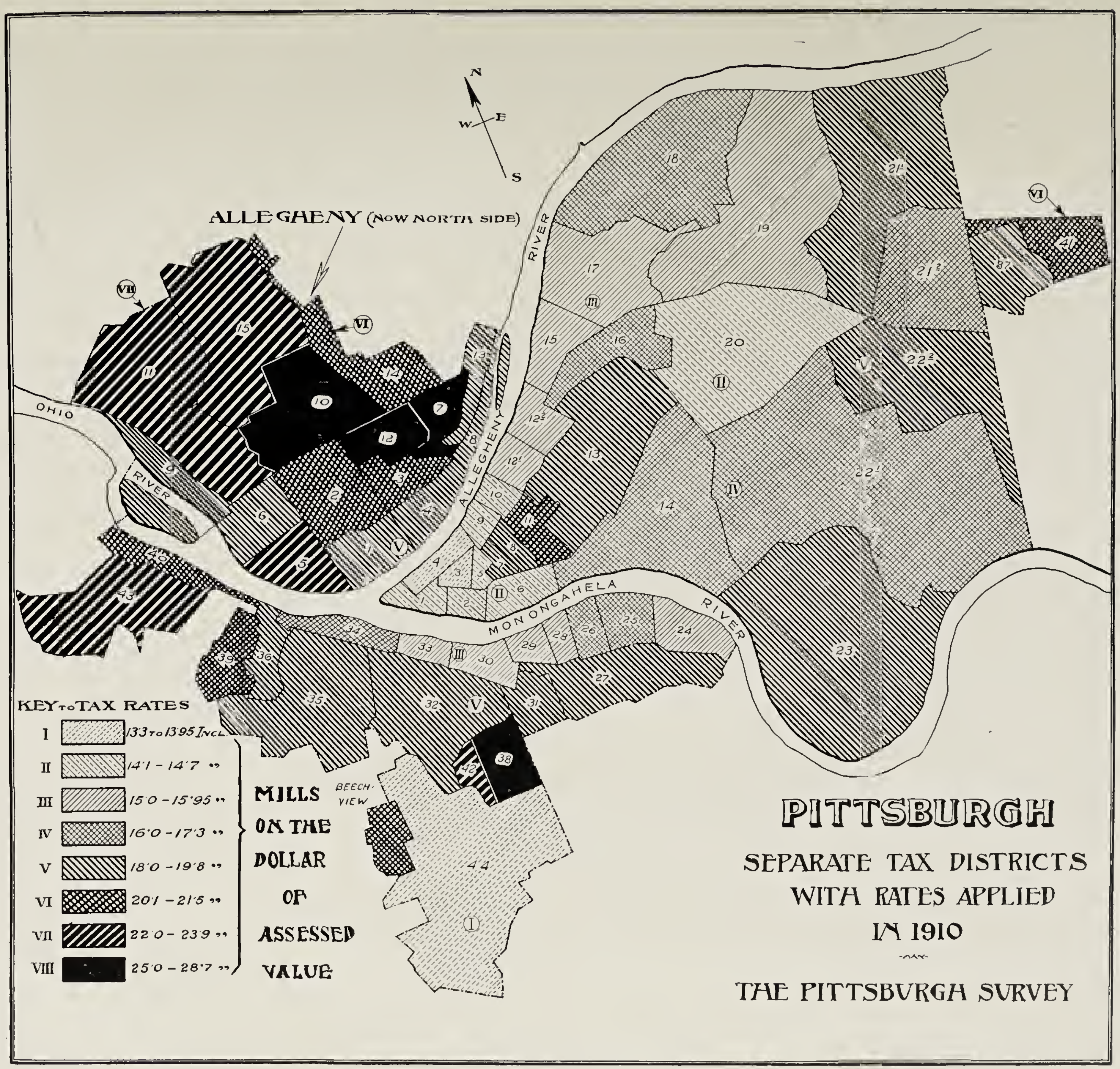
together? Did the inequalities of one offset the inequalities of the other in such a way as to make the system comparatively equal throughout? Or did they together tend to double up inconsistencies and injustice?

To determine this, let us take the map showing the nominal tax rates in each of the 63 different tax districts, and superimpose the map showing land classification. In other words, using the various separate tax rates as bases, let us go over the city and shave off one-half the ward rate, whatever that rate may be, wherever we find land classed as agricultural, and shave off one-third the ward rate where it is classed as rural. This leaves full rates only where land was classed as full. The result is that our combined map shows graphically what the *actual* tax rates were which the assessor levied according to the law against real estate valuations.* Given the confusing nominal rates, citizens of Pittsburgh who wished to compare the burdens borne by realty in the different parts of the city had had to match up as best they could realty which paid say 14.7 mills on a rural two-thirds valuation—like that in Shadyside, for example—and realty paying 21.2 mills on full valuation—like that in the populous eleventh ward.

The combined map enables us to compare the *actual* rates applied to the cash valuations appraised by the assessors, regardless of classification. Thus, for instance, in the cases just mentioned, Shadyside property in 1910 bore an *actual* rate of only 9.8 mills, while old ward eleven stood at 21.2 mills—over twice as much. Comparisons are thus brought into terms of the same things.

When this combination is made, it is seen that actual rates in the different localities varied from 7.85 mills paid upon a triangular piece of agricultural property in the old nineteenth ward, to 25 mills, over three times as much, paid by the full property situated in the southwestern part of ward seven, North Side. The whole schedule resulting from the combination of rates and classes is as follows:

* It should be remembered that the map showing classifications does not show the very small exceptions to the general class divisions of land. Therefore, of course, when the maps are combined these small exceptional patches of realty do not show up.


ALLEGHENY (NOW NORTH SIDE)
N
E
W
S
OHIO
RIVER
ALLEGHENY
RIVER
MONONGAHELA
RIVER
BEECH-VIEW
KEY TO TAX RATES
I 13.3 to 13.95 Incl.
II 14.1 - 14.7 "
III 15.0 - 15.95 "
IV 16.0 - 17.3 "
V 18.0 - 19.8 "
VI 20.1 - 21.5 "
VII 22.0 - 23.9 "
VIII 25.0 - 28.7 "
MILLS ON THE DOLLAR OF ASSESSED VALUE
PITTSBURGH
SEPARATE TAX DISTRICTS
WITH RATES APPLIED
IN 1910
THE PITTSBURGH SURVEY

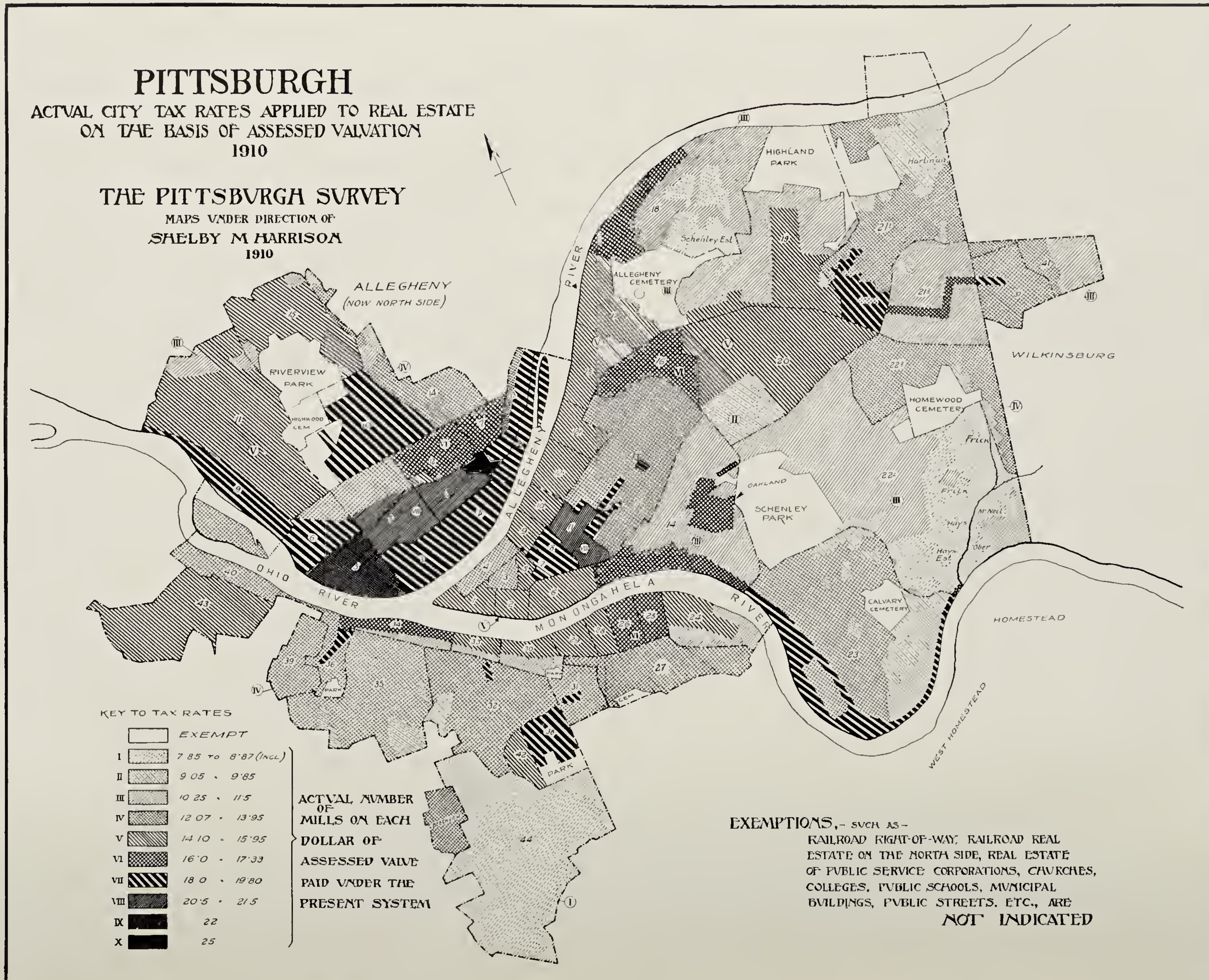

PITTSBURGH
ACTUAL CITY TAX RATES APPLIED TO REAL ESTATE
ON THE BASIS OF ASSESSED VALUATION
1910
THE PITTSBURGH SURVEY
MAPS UNDER DIRECTION OF
SHELBY M HARRISON
1910
ALLEGHENY
(NOW NORTH SIDE)
RIVERVIEW PARK
HIGHWOOD CEM
ALLEGHENY RIVER
OHIO RIVER
MONONGAHELA RIVER
ALLEGHENY CEMETERY
Schenley Est
HIGHLAND PARK
Hartman
HOMEWOOD CEMETERY
WILKINSBURG
OAKLAND
SCHENLEY PARK
Frick
Hays
McNeil
Ober
CALVARY CEMETERY
HOMESTEAD
WEST HOMESTEAD
PARK
KEY TO TAX RATES
EXEMPT
I 7 85 to 8 87 (Incl.)
II 9 05 - 9 85
III 10 25 - 11 5
IV 12 07 - 13 95
V 14 10 - 15 95
VI 16 0 - 17 33
VII 18 0 - 19 80
VIII 20 5 - 21 5
IX 22
X 25
ACTUAL NUMBER OF MILLS ON EACH DOLLAR OF ASSESSED VALUE PAID UNDER THE PRESENT SYSTEM
EXEMPTIONS, - SUCH AS -
RAILROAD RIGHT-OF-WAY, RAILROAD REAL ESTATE ON THE NORTH SIDE, REAL ESTATE OF PUBLIC SERVICE CORPORATIONS, CHURCHES, COLLEGES, PUBLIC SCHOOLS, MUNICIPAL BUILDINGS, PUBLIC STREETS, ETC., ARE
NOT INDICATED

TABLE 4.—ACTUAL TAX RATES IN DIFFERENT LOCALITIES OF PITTSBURGH IN ORDER OF SIZE OF RATE. 1910

Rates stated in mills on the dollar of valuation

Ward [a]	*Location of Property*	*Classification* [b]	*Total Rate in Mills*
19	Small triangle rear Allegheny Cemetery	A	7.85
18	Schenley Homestead and two adjacent triangles	A	8.35
22[1]	Southeastern part of district	A	8.52
44	Whole of West Liberty	R	8.87
21[1]	Extreme northeastern part	A	9.10
23	Slope opposite Homestead and West Homestead	A	9.10
32	Hallock and Woodville Streets, southwest corner	A	9.35
20	Shadyside; including Bidwell and Morewood Sts.	R	9.80
35	Southern plots; Whitman Bigham Property, *et al.*	A	9.85
14 North Side	Upper western part	A	10.25
33	Hillside along southern ward line	R	10.30
41	Eastern three-fifths	A	10.35
19	Practically all except middle section	R	10.47
24	Southern half back from the river	R	10.47
30	Grandview and hilltop, southern half	R	10.47
14	Schenley farms—Bellefield, etc., except Oakland	R	10.80
21[2]	Practically all the ward, except Frankstown Avenue	R	10.80
34	Hillside along southern ward line	R	10.80
11 North Side	Northwest corner	A	11.00
18	Hillside and corner near Highland Park	R	11.13
22[1]	Northwest half; also southeast corner	R	11.35
22[2]	Practically all	R	12.07
21[1]	Northwest corner and southern part—except Liberty business section	R	12.13
23	Hilltop—between Hazelwood & Calvary Cemetery	R	12.13
9 North Side	Brunot's Island	R	12.33
13	All except several small business patches	R	12.46
32	All except near Hallock and Woodville Streets	R	12.46
27	Whole ward	R	12.63
31	All except small business district	R	12.80
37	All except business district	R	12.80
6 North Side	Upper northeast fourth of ward	R	13.00
35	All except property along southern boundary	R	13.13
36	All except Steuben Street business district	R	13.13
13 North Side	Northwest strip along city line	R	13.20
39	Whole ward (Elliott)	R	13.40
40	Whole ward (Esplen)	R	13.40
Beechview	All	R	13.60
2 North Side	North two-fifths, above Jefferson Street	R	13.67
14 North Side	All of the ward except north corners	R	13.67
41	Western two-fifths of ward	R	13.80
3	Downtown, whole ward	F	13.87
4	Downtown, whole ward	F	13.95

[a] Where a ward consists of two tax districts, the divisions are indicated by the superior numbers 1 and 2. [b] A = Agricultural; R = Rural; F = Full.

TABLE 4 (*continued*).—ACTUAL TAX RATES IN DIFFERENT LOCALITIES OF PITTSBURGH IN ORDER OF SIZE OF RATE. 1910

Rates stated in mills on the dollar of valuation

Ward	*Location of Property*	*Classification*[a]	*Total Rate in Mills*
2	Downtown, whole ward	F	14.10
1	Downtown, whole ward	F	14.20
9	Whole ward	F	14.20
10	Whole ward	F	14.20
3 North Side	Corner above Fountain Street	R	14.33
5	Whole ward	F	14.45
6	Whole ward	F	14.45
11 North Side	All except northwest corner	R	14.67
20	East Liberty and all of ward except Shadyside	F	14.70
43	Whole ward	R	14.93
15	Lawrenceville, whole ward	F	15.00
28	South Side, whole ward	F	15.20
12^{2}	Whole ward	F	15.45
33	River front	F	15.45
15 North Side	Practically all	R	15.67
12^{1}	Whole ward	F	15.70
19	Middle and southern section (East Liberty)	F	15.70
24	River front, north half of ward	F	15.70
29	Whole ward	F	15.70
30	River front, north half of ward	F	15.70
42	Whole ward	R	15.93
17	Whole ward, Lawrenceville	F	15.95
16	Whole ward, Bloomfield	F	16.00
14	Soho and River Front	F	16.20
14	Oakland, and business district	F	16.20
21^{2}	Frankstown Avenue business district	F	16.20
26	South Side river front, whole ward	F	16.20
34	River front, north three-fourths of ward	F	16.20
7 North Side	North four-fifths of ward	R	16.67
18	Hillside and river front	F	16.70
25	Whole ward	F	16.70
12 North Side	Whole ward	R	17.33
1 North Side	Whole ward	F	18.00
4 North Side	Whole ward	F	18.00
10 North Side	Whole ward	R	18.00
21^{1}	Southwest part, East Liberty business district	F	18.20
23	River front, and hill slopes	F	18.20
9 North Side	Whole ward except Brunot's Island	F	18.50
7	Whole ward	F	18.70
8	Whole ward	F	81.70
13	Small business districts, Wylie and Center Avenues, etc.	F	18.70
8 North Side	Whole ward	F	19.00
38	Beltzhoover, whole ward	R	19.13

[a]R = Rural; F = Full.

TABLE 4 (*concluded*).—ACTUAL TAX RATES IN DIFFERENT LOCALITIES OF PITTSBURGH IN ORDER OF SIZE OF RATE. 1910

Rates stated in mills on the dollar of valuation

Ward	*Location of Property*	*Classification*[a]	*Total Rate in Mills*
31	Small business district of Allentown	F	19.20
37	Frankstown Avenue business district	F	19.20
6 North Side	Lower three-fourths of ward	F	19.50
36	Steuben Street business district	F	19.70
13 North Side	Southeast three-fourths of ward	F	19.80
2 North Side	South three-fifths, below Jefferson Street	F	20.50
11	Whole ward	F	21.20
3 North Side	Practically whole ward	F	21.50
5 North Side	Whole ward	F	22.00
7 North Side	Southwestern, one-fifth of ward	F	25.00

[a] F = Full.

Stripped of confusing qualifications, the rates in this combined table show the gross inequalities of a scheme of taxation long outgrown. In drafting our report these inequalities were brought out en masse by dividing all the localities named into three large groups, placing all realty paying under 12 mills in the first, all paying above 12 and under 16 mills in the second, and in the third all property paying 16 mills and over.

We found that the first and low rate group, with the exception of West Liberty and the small hilltop section in the thirtieth ward, was made up almost entirely of the large unimproved agricultural holdings scattered throughout the city, of the property in the Schenley Farms and Bellefield neighborhoods, and the expensive residence properties in the Shadyside, South Highland Park, and Squirrel Hill localities.

The middle group, with rates above 12 and under 16 mills, included principally the downtown business wards, several manufacturing wards, most of the hilltop territory in the South Side, Herron Hill, and Calvary Cemetery neighborhoods, much of upper Allegheny, and a large amount of East End residence property.

The third and high rate group, paying 16 mills and over, represented, mainly, small business realty, residence property located in lower Allegheny and Oakland, the congested Bloomfield, Soho, South Side, and Woods Run vicinities, and the dense tenement wards just above the downtown business district.

The conclusion from this grouping was inevitable. The inequalities of the land classification and of the separate school rates did not offset each other. Rather, they tended to accentuate the disproportions of each other. Notice, for example, the case of West Liberty, where a low ward millage was still further reduced by rural classification; note the Schenley and other eighteenth ward "agricultural" land, where a moderate ward rate was cut in two by the land class scheme; and notice practically all small properties, where a high ward rate was kept high by a full classification. The apparent exception was the downtown business district where the full classification was offset by a low millage. But this exception merely served to point the further fact that not only did the two schemes not equalize each other, but their superimposed inequalities bore heaviest upon the great bulk of the population. The commercial center, congested with buildings but not children, escaped the weight of the school tax; while the well-to-do residence district, with its broad lawns or speculative holdings, escaped the weight of the full land tax. What they escaped "came down" on the small property holdings, which had to carry the unequal weight of both systems.

Note, if you will, the downtown wards where, in spite of full classification, the rates were hardly more than two-thirds of those assessed against small business properties along Wylie and Center Avenues in the old thirteenth ward; note, again, the rate of 8.52 mills assessed upon the large unimproved holdings in the southeastern part of the old twenty-second ward, as compared with the rate of 18.7 mills paid in the dense tenement house districts up the hill from the business section of the Point. Still again, note the expensive residence quarter northeast of Schenley Park which paid two-thirds the rate paid by small home owners in the Oakland, Bloomfield, and Lawrenceville neighborhoods.

Table 5 (pages 188–191) exhibits the system as it actually worked out in individual properties in a score or more of different city blocks, selected so as to typify property owned by different economic groups of the city's population.

The last column to the right tells the story in terms of typical neighborhoods familiar to the average Pittsburgher. For example, the highest tax rate on the representative downtown business holdings is almost 15 per cent lower than the lowest tax rate on the small business property in 15 adjoining blocks. Similar contrasts are found in comparing the household groups. In other words, the Pittsburgh plan for meeting public expenses was to put it on the shoulders of small home owners, the army of work people, and renters living on congested streets and alleys, tenants in the slum districts, and keepers of small stores where these work people trade.

It may be objected that such conclusions as to the injustice of the tax burdens can not be drawn until the tax is followed a step farther; that the ultimate payers of the tax, not alone the property taxed, must be located. The answer is found in two theories of the incidence of taxation.

The first is the one held by the average business man, and is that the whole tax, both on land and on buildings, is shifted to the shoulders of the tenant. The second, that held by the economists, is that in the main, when both house and ground are occupied by the owner, the real estate tax can not be shifted, but is borne by the owner. When the owner rents the property to another, the owner still bears the tax on the land. The tax on the house, however, is shifted to the occupier or tenant. When, however, tax rates throughout a city are very unequal, as is the case in Pittsburgh, and when the people tend to congregate in certain quarters of the city and seem unwilling to move out to the suburbs, as is usually the case with immigrants, a part at least of the taxes on land that is rented, and all the tax on the buildings, tend to be shifted upon the tenants.* So on the theory of the business man and of the economist, the conclusion that the bulk of the local real estate taxes fell upon the renting population, the small home owners, the working people, and the small storekeepers they deal with is not changed.

Professor Seligman's generalization,† based upon taxes in

* For a thorough discussion of the incidence of taxes levied upon urban real estate, see Seligman, E. R. A.: Incidence of Taxation. New York, Macmillan, 1899.

† Ibid., p. 246.

TABLE 5.—ACTUAL AND NOMINAL TAX RATES IN DIFFERENT LOCALITIES OF PITTSBURGH BY PROPERTY GROUPS. 1910

Rates stated in mills on the dollar of valuation

Group	Property Location; Street Boundaries	Ward[a]	Assessed Value, Land and Buildings	Classification[b]	Rates in Mills: Nominal	Rates in Mills: Actual
I. Downtown Business Property.	a. Liberty Ave., Sixth St., Penn Ave., and Seventh St.	4	$5,954,325	F	13.95	13.95
	b. Smithfield St., Fifth Ave., Wood St., and Diamond St.	3	7,732,556	F	13.87	13.87
	Both blocks present a variety of business enterprises. The first block has several modern office buildings, one of them a skyscraper, retail and wholesale stores, hotels, theaters, a life insurance company's head office, and a number of warehouses. The second block represents theater property, small and large retail stores, office and bank buildings, five and ten-cent stores, nickelodeons, saloons, etc. The two blocks show a fair range of enterprises carried on in the downtown section of the city.					
II. Large Unimproved Holdings.	a. One piece of land comprising over 100 acres	18	262,600	A	16.70	8.35
	b. One piece of land comprising over 100 acres	22[1]	387,455	A	17.03	8.52
	These are among the most important large holdings of this character in the city. Much the greater part of these areas is suitable for plotting into city lots—very little, for instance, being rough, or abrupt hillsides.					
III. Small Business Property.	a. Along Center Avenue	8	(Valuations	F	18.70	18.70
	b. Along Wylie Avenue	11	omitted be-	F	21.20	21.20
	c. Along Frankstown Avenue	21[2]	cause of wide	F	16.20	16.20
	d. Allentown business district	31	variations in	F	19.20	19.20

	e. Along Steuben Street	36	size of districts)	F	19.70	19.70
	f. East Liberty business center	21[1]		F	18.20	18.20
	g. North Side business streets (Allegheny)	1 N.S.		F	18.00	18.00
	h. Oakland business district	14		F	16.20	16.20
	The selections include most of the small stores, shops and other business places which are scattered about the city outside of the downtown business triangle. Excepting parts of East Liberty and Allegheny, here are represented mainly small one- and two-room stores and shops, competing with large downtown stores, which are located in other tax districts. In one of the districts indicated, for instance, are small proprietors engaged in the following lines of business: upholstery, tailoring, haberdashery, hardware, groceries, meats, plumbing supplies, bakery, fruit, barbering, dry goods, shoes, and tobacco. In another district are a general store (stove polish to oysters), restaurant, milk depot, hardware, barbering, saloon, paper-hanging, notions, tailoring, clothes cleaning and pressing, shoe repairing, meats, delicatessen, and dry goods.					
IV. WEALTHY RESIDENTIAL PROPERTY.	a. Fifth, Shady, Fairoaks and Murray Aves.	22[1]	2,348,052	R	17.03	11.35
	b. Bidwell St., Fifth, Morewood and Willsworth Aves.	20	1,249,370	R	14.70	9.80
	c. Baum, Fairmont, Harriett and Rebecca Sts. (two blocks)	20	884,848	F	14.70	14.70
	d. Both sides of North Negley, from Wellesley to Black St.	19	953,898	R	15.70	10.47
	The four blocks represent property on Squirrel Hill, in Shadyside, on the table land half way out from Herron Hill to East Liberty, and along the southern fringes of Highland Park. Splendid residences are surrounded by picturesque lawns, all remote enough from the business sections to be undisturbed by the mills or traffic, yet near enough for metropolitan conveniences. The houses are expensive. These four blocks, of course, do not embrace all of the expensive residence property in Pittsburgh, but represent the type.					

[a] Where a ward consists of two tax districts, the divisions are indicated by the superior numbers 1 and 2.

[b] A = Agricultural; R = Rural; F = Full.

TABLE 5 (*Continued*).—ACTUAL AND NOMINAL TAX RATES IN DIFFERENT LOCALITIES OF PITTSBURGH BY PROPERTY GROUPS. 1910

Rates stated in mills on the dollar of valuation

Group	Property Location; Street Boundaries	Ward[a]	Assessed Value, Land and Buildings	Classification[b]	Rates in Mills: Nominal	Rates in Mills: Actual
V. Prosperous Residential Property.	a. Homewood Ave., Race St., Lang Ave. and Monticello St. (Belmar)	21[2]	$215,278	R	16.20	10.80
	b. Both sides Perrysville Ave.—Charles St. to Kennedy Ave.	10N.S.	292,755	R	27.00	18.00
	c. Maryland Ave., Elmer, Summerlea and Elwood Sts.	20	103,579	F	14.70	14.70
	The first block is just north of the Homewood Cemetery and east of the East Liberty business squares; the second is in the up-hill part of the North Side, near Riverview Park; and the third, just beyond Shadyside toward East Liberty. These properties typify those owned by the moderately well-to-do, professional people, probably owning good homes, and renters able to pay from $40 to $75 rent per month.					
VI. Residential Property Occupied by Skilled Workers. "Middle Class People."	a. Ella, Minerva, Taylor and Isabella Sts. (Bloomfield)	16	103,434	F	16.00	16.00
	b. Both sides Leland Ave., and Norwood St. from Roscoe Ave. to Hawkins Ave. (N. S.)	10N.S.	156,230	R	27.00	18.00
	c. Blair, Elizabeth, Ledora and Courtland Sts. (Hazelwood).	23	85,843	F	18.20	18.20
	d. 52nd St., Stanton Ave., McCandless and Wycliffe Sts.	18	105,883	F	16.70	16.70
	e. California St., Estella Ave., Sylvania St., and Curtin Ave. (Beltzhoover)	38	58,775	R	28.70	19.13
	f. 15th St., 16th St., 17th St., Sarah to Manor St. (South Side)	28	259,301	F	15.20	15.20
	g. Howard St. from Rising Main St. to Hay's Alley (N. S.)	12N.S.	83,889	F	26.00	26.00
	The individuals, owners of small homes and small renters, represent more nearly than any of the others the so-called "middle class." Among them are skilled workers, Anglo-					

	Saxon mill workers, railroad men, etc. They are more widely scattered than those in the other groups. The first is a block in Bloomfield; the second is in the hill district of the North Side; the third is in the lower part of Hazelwood, a community made up largely of railroad men; the fourth, on a South Side hilltop where are found many German small-home owners; the fifth, on the hillside between the Allegheny cemetery and the river; the sixth, on the broad bottom land on the South Side, and the seventh, just above the business section of the North Side.					
VII. Residential Property Occupied by Unskilled Workers.	a. 48th, Hatfield, 49th and Harrison Sts. (Lawrenceville).	17[1]	83,820	F	15.95	15.95
	b. 38th St., Mineral Ave., 39th St. and Allegheny Valley R.R. (Lawrenceville)	15	262,425	F	15.00	15.00
	c. Petrel St., between Hanover and Kerr Sts. (Woods Run).	9 N.S.	81,486	F	18.50	18.50
	d. West Carson St., near Point Bridge (Painter's Row).	34	20,000	F	16.20	16.20
	e. Fulton, Franklin, Townsend, Clark Sts. (Hill District)	8	242,152	F	18.70	18.70
	Five localities were selected to typify those occupied by the unskilled workers. The first four represent mill laborers, and the fifth represents the large number of day laborers who work only intermittently, as they are able to get jobs. As a rule, people in this group live very close to their work; that is, close to the mills, and therefore on expensive land where housing is congested in order to justify, financially, using the land for residence sites.					

[a] Where a ward consists of two tax districts, the divisions are indicated by the superior numbers 1 and 2.

[b] A = Agricultural; R = Rural; F = Full.

New York City, applies with double force to Pittsburgh. "When we reflect that in the city of New York over three-quarters of the population live in tenement houses, we are thus forced to the conclusion that in the great cities a great share of American local taxation is today borne by those least able to pay."

To say that the big end of taxes in Pittsburgh was saddled on the least able is a sufficient indictment of the tax scheme under which this, one of the richest cities of America, paid its way. But what of the magnitude of the disproportions? If all people in the city in 1910 had paid taxes at the rate enjoyed by many of the wealthy residence owners (11 mills or less) the city's income, at a conservative estimate, would have been reduced by over $2,700,000, a reduction so great that if applied to those departments it would have wiped out the bureau of fire, the bureau of police, the municipal hospital, and the department of health.* Or, if all had paid at the rate levied against large unimproved holdings (approximately 8.5 mills on the dollar) it would have been necessary in addition to all these, to dispense also with the bureau of light, costing $559,994.21. On the other hand, if the wealthy, the prosperous, the owners of large unimproved holdings and all others had been required to pay the same rate as the small storekeepers, small home owners, and the tenement dwellers, the city's revenues would have been increased by $3,000,000, an amount enabling the city's playground expenditures for 1909,† for instance, to be multiplied by 10; an amount that in addition would have allowed the city department of health to spend a half-million annually in disease prevention; that would have duplicated the million a year spent by the bureau of fire with another million for developing a system of fire prevention; and that, beyond this, would have furnished still another million a year for helping in the development

* The cost of maintenance for these departments in 1910 was as follows:

Bureau of police	$1,085,019.32
Bureau of fire	1,034,016.00
General office of public safety	75,654.20
Municipal hospital	28,275.03
Department of health	406,862.16
	$2,629,826.71

† From city appropriation No. 200, for year ending January 30, 1910, $58,087.20.

of such an efficient system of industrial education as Pittsburgh offers exceptional facilities for, and richly deserves.

V

ANY MITIGATING ELEMENTS IN THE SYSTEM

Were there any other elements in the system of laying the municipal tax burden in Pittsburgh which tended to minimize these results of land classes and ward rates, or to aggravate them; elements which the public needed to reckon with in ironing out the inequalities of what was so long a warped and uneven system?*

Three phases of assessment deserved attention:

1. It is proverbial that the small man carries the heavy end of assessed valuations; and the lack of publicity in Pittsburgh had no other effect than to aggravate this condition.

In discussing under-valuations and their effect upon the equality of the tax burden, it hardly need be stated that given two men who own property as like as two peas, and given a uniform tax rate, A will get off with paying a 40 per cent lighter load than B if the assessors appraise A's property at 60 per cent of its market worth while they appraise B's at what it will sell for.

Market value is generally regarded as the best basis of assessment. Much property, however, changes hands but seldom. In the absence of sale prices to go by, assessed valuations are the result of the best judgment of the assessors, but best judgments vary as widely as the individuals who may make them.† Values are largely subjective, depending to some

* The failure of the personal property tax, licenses, county or state taxes to materially affect the situation with respect to the inequalities in the general property tax, is taken up briefly in Appendix B, IV, p. 460.

† The New York charter was amended in 1903 with regard to a separate statement of the value of land in real estate assessments. Concerning this requirement, Mr. Lawson Purdy, president of the New York department of taxes and assessments, has said:

"All the advantages which were expected to follow from this change in the law have been realized. Both the tax department and the owners of property are benefited. Assessors are obliged to exercise more care and thought than when they are permitted to set down the total value of the property without showing the mental process by which the result was reached. The requirement that the value of land must be set down separately renders it easier to require assessor to determine the value of land per front foot, or per lot, for the customary depth, and insert those figures on the field books. He is then obliged to determine separately whether the building is suitable for the site, and by how much the value of the parcel is increased by the presence of the buildings, etc."—Report of Advisory Committee on Taxation and Revenue submitted to the Mayor of Baltimore, 1908.

extent upon the experience of the appraiser. The average assessor knows a $5,000 house, for instance, when he sees it, but is much at sea in making an accurate valuation, say, of a building worth $100,000, $150,000, or $200,000. He prefers to err on the safe side.

A number of Pittsburgh property owners familiar with local taxation were free to admit the local working of this tendency. In support of the accuracy of the Pittsburgh assessments, it should be noted that the assessors appraise buildings and grounds separately, a procedure which is more likely to get at correct market values than by lumping them together. On the other hand, the difficulty of estimating values in a city subject to such revolutionary growth as Pittsburgh was illustrated when we chose a number of districts typifying expensive residence property, small homes, tenements, small business property, downtown business property, and so forth, and had them appraised by several leading real estate men of the city. Their figures varied as much from each other, however, as they did from those of the assessors. Moreover, the transfer books in the assessors' office showed that out of 56 transfers in the new first ward in 1910, 34, or 60 per cent, were for considerations of $1.00 or other nominal amounts; 25 out of 41 in the second ward, 26 out of 66 in the third ward, and so on. It was impossible, therefore, to any large extent, to compare sale prices with assessments, or determine the percentage of valuation assessed against various kinds of property. With such disparity in estimated values and with the actual considerations concealed in so large a proportion of sales, the extent to which under-valuations were likely to favor the big property owners rather than the small owners depended very largely upon the personnel of the assessing staff,* and the publicity given their work.

In regard to publicity, very little was done beyond keeping the assessors' books open to public inspection. In 1881, the Assembly passed an act providing for the publication of a descriptive list of all real property assessed for city taxation, giving location, size of real estate, buildings, the amounts assessed and the prices paid at the last recorded sale.†

* The Pittsburgh staff in 1910 was made up of nine men each receiving a salary of $2,700, except the chief assessor who received $3,000, the salary in every case, considering the importance of the work to be done, being too low. Although the men had comparatively little real estate experience before taking office, one having been a clergyman, another a skilled mill worker, another the director of public safety in Allegheny, and so forth, the sentiment toward them among business men was one of confidence.

† O. B. 6 227 24.

At the next triennial assessment year the complete list as prescribed was published. Three years later the details in the publication were much abbreviated; three years after that Pittsburgh Councils refused to appropriate funds for printing the lists, publication was suspended and has never been resumed.

The absence of taxation publicity in Pittsburgh presented a noteworthy contrast to the procedure in other large cities. Not even an annual report was published by the assessors. The only published statements bearing on city tax matters that could be found in 1910 were: a brief summary of ward valuations which appeared in the Manual of City Councils, a handy vest pocket book for city officers; the figures showing taxes collected, ward assessments, and delinquent taxes, which appear in the comptroller's report; and the assessors' table of tax rates.* Many small towns do better than this; and as for the large cities, the majority follow one or another plan of letting the public know how this part of the public's own business, the revenue side of the city budget, is administered.† New York, for instance, has adopted an excellent and elaborate system of maps, over 90 in number, each one nearly two feet square, bound into one large volume, showing footfront assessments in all blocks throughout the city.

II. While the privilege of appeal for revision of assessments is open to all persons alike, it is always the large property owner who, in actual practice, benefits by it.

The board of assessors in Pittsburgh is also the board of tax revision. At certain times each year the revision board gives notice that it will hear

* After the assessment was made up for 1910, Thomas McMahon, a member of the board of assessors, prepared tables showing total assessed and taxable valuations by wards, for twenty-six of the years between 1875 and 1909, and these were printed in one of the newspapers. Mr. McMahon furnished the data also for the classification map which we publish, the first map of the kind ever published for Pittsburgh.

Since 1910, the Department of Assessors has published an annual report, showing in condensed tables the valuation of taxable property by wards; exempted property (eleemosynary institutions, public utility corporations, and city property); numbers of assessments, transfers, new buildings, total buildings, parcels of land taxable and exempt by wards.

† The first step toward effective publicity on the expenditure side of the city budget was taken in July, 1910, when the budget conference of the Pittsburgh allied boards of trade requested the mayor to have the departmental estimates for the fiscal year commencing February 1, 1911, ready for public distribution not later than November preceding. The year before the estimates were not published until January,—too late for intelligent or thorough discussion. The request was ignored.

appeals for changing appraisals; and the number of responses to the notice is large. By leafing through the assessors' books, in which the revisions are recorded in red ink, we could see that a goodly number of appeals had succeeded, the revision being downward, of course; and that in the great majority of cases the properties affected were those held by the well-to-do and rich,—large and valuable holdings. This impression was corroborated by the statements of several members of the board. The explanation is not necessarily that such tax payers have greater influence. Few, if any, of the small property owners ever appear before the board to ask for revision. The average citizen thinks of his taxes as he does of death and the judgment, as sure and unescapable. He does not know that, even if he can not cut his whole tax, he has a chance to appeal for a scaling down of a part of it. If he does know it, the individual reduction he might hope to get may be too small a sum by itself to warrant the bother. On the other hand, it pays the big owners to appeal; real estate men, agents, and attorneys for owners scrutinize the assessments closely, watch the papers for notices of hearings, present their cases in the best form, and meet with some success in their appeals, almost as a matter of business.

III. Under the triennial assessment plan, in vogue for years in Pittsburgh, tax rates tend to rise in the second and third years after assessments. Where, as was the case in Pittsburgh, tax burdens are unequally carried, such increases in the tax rate add new burdens to be borne in the same old unequal ratios.

Until 1909, assessments oftener than every three years were illegal. The new act, however, provided for new assessments in any ward where they should be deemed necessary in any subsequent year. Thus the assessors were armed with full power to make annual valuations throughout the city, as is done in New York, Philadelphia, Boston, St. Louis, and other large cities.*

City expenses in Pittsburgh, as elsewhere, show a gradual annual increase when considered for a long period of years. The result under the disproportionate land classification when city expenses increased annually and the bases against which taxes were levied increased only triennially, may be illustrated by taking a ward where the tax rate was 18 mills. Full property in the ward paid the full 18 mills, and property classed as rural paid two-thirds the rate, or 12 mills. Suppose, now, in order to meet the

* The department did not make a new assessment for 1911, however, nor for 1912 in a thoroughgoing way as was done for the triennial year, 1910. In the 1913 triennial assessment, every individual piece of property was examined. But while the law permits change of assessments to be made any year, the triennial system stands with little modification except as to new buildings and changes made through changes of ownership, and so forth.

expenses of the growing city,* the tax rate had been increased three points. Full property would have paid 21 mills; rural, two-thirds of that, or 14 mills. Full property would have contributed $3.00 toward the needed city revenue to every $2.00 paid by the privileged holders of rural property of equal value.

We found, therefore, that none of these elements in the assessment system of Pittsburgh mitigated the unequal burdens caused by land classification and ward rates. Rather, these inequalities were aggravated by the tendency, observable in all cities, toward undervaluing large properties and toward scaling down the assessments of such properties on appeal. And these unequal burdens were further aggravated by the lack of publicity and the triennial assessment plan characteristic of the Pittsburgh system.

No relief being forthcoming in the methods of laying the tax load, it remained to be seen if there were any other features which added to or subtracted from the share of municipal costs shouldered by what might be called the small men of the community.

VI

LEAKAGES IN THE REVENUE

Through the door of the city collector's office under this old Pittsburgh system went an annual procession of tax payers. Among the large realty owners, as we have seen, some paid large amounts and some small; but the payment, even when large, meant relatively small sacrifices to them. On the other hand, the great majority in the line of march paid small sums, which in the aggregate meant much to the city, and which in sacrifice meant much to the individuals. Every addition to the tax rates forced additional payments in the same disproportions. And the high rate which fell heaviest on the financially small of stature was made still higher in order to make up for leakages and exemptions.

Of the leakages, a dual board of assessors, county and city, added perhaps $30,000 annually to the community's running

* Land which is rising in value fastest will escape some part of its full share of burden in the second and third years; thus leading to further inequalities but not necessarily such as will offset existing ones. What is clear, however, is that the city loses any share in these increased values in the interval.

expenses, while the fee system for delinquent tax collections, a system obsolete in the principal cities, transferred at least that amount from the public treasury to the strong box of the political party machine. Moreover, the scheme of discount has been to the advantage of the large property holder, who thinks in terms of capital and interest, and prefers accordingly either to make advance payment on his taxes, or to defer payment until long overdue. In 1908, which was, if anything, below the average year, discounts for so-called advance payments were allowed upon roughly $3,345,000 in taxes, or about one-third of all taxes collected during the year. This meant that Pittsburgh paid over $167,000 in that year as a bonus to part of its tax payers for doing what might very properly have been made a duty of all. The drain due to tardy tax collections was equally serious. Local custom had dealt so leniently with delinquent taxables as to offer inducements to delay. It amounted to the city engaging in the business of loaning money to large real estate holders at less rates than they would have paid had they borrowed at the banks. This incentive toward delay tended to raise the delinquent collector's fees by increasing the amount of delinquency. The desire for high fees on the rebound, furnished the collector with an incentive for further leniency toward dilatory payers. The two worked together, therefore, to the financial disadvantage of the city, one through loss of interest and the other through excess collection fees. And for city we have come to mean the bulk of small tax payers, who were thus mulcted coming and going in this matter of collections.

Duplicate Assessing Boards. Since the bulk of both county and municipal taxes is assessed against real estate, most city valuations against which county rates are also applied, are made in duplicate for county use by city boards of assessors. This is not the case, however, in Pittsburgh. The same real estate here is appraised by two separate and independent boards of assessors, the city board for city taxes, and the county board for county taxes, when one could do the work equally well. This has fastened an unnecessary charge upon all tax payers.

The city board is made up of men who have been residents of the city for at least ten years, and who are supposed to be familiar with city values. The county board consisted in 1910 of three members at $4,000 a year each, two of whom were over seventy years of age—one being seventy-eight. In 1909 the office of the county assessors cost a little more than $50,000, of which the city paid over 60 per cent.*

Discounts. Up to 1911, it was the custom for Pittsburgh taxes to be paid in two instalments. The first instalment was due on or before April 30, the second on or before September 30. If both instalments were paid in March a discount of 5 per cent was allowed on the September half. In other words, the tax payer was given 2½ per cent discount on his total tax for paying it seven months in advance. A 2½ per cent discount for seven months is equivalent to an interest rate of about 4⅓ per cent for a year.†

Delinquents. Up to 1911, if the two instalments of taxes were not paid on the dates noted above, 5 per cent of the total tax (not 5 per cent per annum) was added as a penalty for delinquency. As a rule, the property was not advertised until the August following, or even as late as December—an interval of a year to a year and a half. If not paid by January, a lien was usually filed with the prothonotary, the percentage of owners who allow such filing of liens being small.

In every case where the period of delinquency was allowed to stretch over more than one year, the interest rate was reduced proportionately below 5 per cent per annum. One real estate man stated he had been able to have his taxes carried by the city when money was scarce at as low a rate as 3 per cent.‡

Collection Fees. Up to October, 1909, the delinquent tax collector received fees on a basis that, in 1909 for instance, gave him 2 per cent on taxes due in 1907, 1908, and 1909, 3 per cent on taxes due in the period from 1896 to 1907, and 5 per cent on taxes due back of 1896. In 1909 the rate was reduced to 1½ per cent on all collections. The gross annual commission in the preceding years had run about

* The legislation of 1911 placed the appointing of the county board for assessment and revision of taxes in the hands of the county commissioners, and a new board of better caliber was appointed in 1912.

† The law of 1911 makes local taxes payable during the months of March, April, and May, and allows 2 per cent discount, if paid in March; that is, if paid two months before the date they would become delinquent. This is a gain in so far as it brings forward the delinquent date, but the discount for paying sixty days in advance is equivalent to an interest rate of 12 per cent per annum.

‡ The act of 1911 improves this situation. A penalty of 3 per cent of the total tax is added when the taxes become delinquent, at the end of May; and in addition, one-half per cent is added for each month or part of a month that the delinquency continues. The penalty for the first year's delinquency is thus 9 per cent per annum, and 6 per cent on each succeeding year.

$60,000, conservative estimates being that the incumbent cleared at least $25,000. The general understanding was, however, that the collectors got their appointments on condition that they turned over all above say $7,500 into the party organization.*

VII

EXEMPTIONS

Pittsburgh's exemptions of real estate from local taxation may be divided into two groups, commercial property and non-commercial. Non-commercial property includes the long list generally exempted in all cities, such as churches, synagogues, Christian and benevolent associations, schools, colleges, libraries, hospitals, asylums, cemeteries; also city property, such as fire department buildings, city halls, parks, bath houses, police stations, and markets; and county, state, and federal property, including court houses, jails, penitentiaries, armories, and post offices.† In addition, of course, all public streets and alleys are not subject to tax levies. The city markets and the post offices are grouped here although they are commercial in character. They are owned by the government, however, and their profits do not go to individuals.

A more or less unique feature of local exemptions is found in the commercial group. In 1910, Pittsburgh exempted $22,774,903 of real estate owned by railroad companies, street car companies, gas companies, telephone, incline plane, water, light, and heating companies. This amount is split up among the different kinds of companies, as follows:

* In 1907–08 Mayor Guthrie endeavored to take the delinquent tax collectorship off a commission basis and place it on a salary ($6,000 and no fees). At the end of the second year, however, the collector refused to turn over to the city the amount which on the old basis would have represented his commission. The city brought suit to recover the excess over his salary, but lost.

The delinquent collector's office was kept on the fee basis by Mayor Magee who succeeded Mayor Guthrie. Early in 1912 City Council passed an ordinance placing the collector upon a salary basis. The collector refused to acknowledge the new plan and the comptroller brought suit to recover the excess funds over the collector's salary. While the suit was lost, the fee system has been abolished, and the city treasurer is now collector of delinquent taxes, drawing no salary for this work. Comptroller Morrow estimated that the change has brought an increased net revenue of $20,000 a year to the city.

† The total valuation of these exemptions had never in 1910 been computed by the assessors. For 1913, see Appendix B, V, p. 465.

TABLE 6.—EXEMPT COMMERCIAL PROPERTY IN PITTSBURGH IN 1907[a]

Kind of Property	*Land*	*Buildings*	*Total*
Railroad	$17,106,701	$1,805,150	$18,911,851
Incline planes . . .	56,973	..	56,973
Telephone and telegraph .	449,918	345,700	795,618
Light, gas, heating, etc. .	988,205	1,952,675	2,940,880
Water companies . .	11,425	..	11,425
Miscellaneous . . .	58,110	..	58,110
Total	$18,671,332	$4,103,525	$22,774,857 [b]

[a] For a more detailed analysis, see Appendix B, V, p. 461.

[b] The figures of the table are used in the text; although the assessors' report for 1913 sets down the total at $22,286,143. [See Appendix B, VIII, p. 468.] In the opinion of the writer they were even in 1910 considerably under current values.

These amounts are taken from the assessors' book of exemptions for 1907, as the 1910 book had not at the time of this inquiry been written up. New exemptions had been added and property recently taken out of the exempt list subtracted; but a careful appraisal of exempt properties was evidently not regarded as of importance, some of the valuations going far back of 1907. The figures, therefore, are considerably under present values.

Sixty-six feet of right-of-way of all railroads operating within the city limits is not subject to local rates. The total of railroad land exempted amounts to $17,106,701, or 75 per cent of the total commercial exemptions. Practically all is right-of-way.

The other 25 per cent of total commercial exemptions is mainly buildings and equipment of railroads and building sites and buildings of the other companies indicated. Of these, railroad property, other than land, in turn represents almost one-third.

The Pennsylvania Railroad owns the largest amount of this exempt property—64 per cent of the grand total. Thirteen million dollars in land and over one and a half million dollars' worth of buildings, sheds, and so forth, belonging to it, pay no local taxes. The buildings are situated almost entirely on the North Side and include the Fort Wayne depot valued at $145,000, a number of freight buildings, machine shops, storage houses, offices, and over $900,000 in tracks.

In the group furnishing municipal service, the Philadelphia Company, which with its subsidiary companies supplies traction, gas, and electricity, is favored most, enjoying an exemption of over two and a quarter million dollars. The eight-story office building on Sixth Avenue, and the ground on which it stands, which were valued in 1910 at $527,950, paid a tax upon only half this value, $263,975 being exempt. The large power house and 22.5 acres of land in the old ninth ward North Side, worth $458,000; the 11 or more acres of land with refining, purifying, retort, and engine houses, and office buildings, in the old fourteenth ward, worth $888,600; and other property in the old fifteenth, twentieth, and twenty-first wards, most of this being Consolidated Gas Company property, is totally exempt from city taxation. Exemptions for property of Allegheny County Light Company, Allegheny Heating Company, and Pittsburgh and Castle Shannon Railroad constituent companies are also of considerable size.

Telephone companies are favored also, thirteen-sixteenths of the Central District and Printing Telephone Company's three-story telephone exchange property on Fourth Avenue, valued at $193,200, being exempt; and all of its eight-story brick office property on Seventh Avenue and Montour Way, valued at $313,-200, besides smaller holdings throughout the city. The Pittsburgh and Allegheny Telephone Company pays no local taxes on $114,525 of property, mainly office buildings. Incline plane companies, water and miscellaneous companies own exempted property to the amount of $126,508.

Why these exemptions? The answer takes us back first to the general fiscal policy of Pennsylvania. The state has practically withdrawn from the field of general property taxation, and draws a considerable part of its revenue from the operations of public service corporations.* Local taxing bodies, in turn, do not tax the business of the railroads which run through them, nor to any large extent that of local service corporations. This has been a matter of legislation. When we go deeper and ask why real estate and buildings owned by such corporations are lifted, along with their franchises, out of reach of the municipal

* See description of state tax, Appendix B, VI, p. 464.

tax department, we come into a realm not of legislation but of judge-made law.

Briefly, the rule was first laid down by the courts that real and personal property necessary for the exercise of franchises of quasi-public service corporations loses its character as buildings, lands, and so forth, and is exempt from local taxation.* By a special act of Assembly in the 50's, however, all Pittsburgh railroad property was made subject to city taxation. But when half a century later Pittsburgh attempted to assess not only buildings but right-of-way under this act, the supreme court decided that it did not apply to right-of-way. Further, the act of 1859 did not include Allegheny (North Side), and when the two cities were consolidated the supreme court, reversing a lower court, held that the Allegheny freight yards, stations, and so forth, could not be taxed by the Greater City for the purpose of liquidating its floating and bonded indebtedness at the time of annexation. Nor has this North Side railroad property paid taxes to meet the current expenses of the Greater City up to 1914. Thus it is that at the time of consolidation all of the quasi-public service corporation property on the North Side continued exempt; and in the old city, railroad right-of-way was exempt and so continues. Street railways and incline planes are classed with railroads and are entirely exempt on the North Side,† and in the old city the road bed is not taxed. Light, gas, heating, water, and telephone companies come under the general rule exempting property necessary for the exercise of their franchises.

It may be contended that the exemption from local taxes of stations, warehouses, power plants, and other improvements is justified in that it is an encouragement to the extension of transportation facilities. This contention would seem justified only in a city and state where the public control of public service corporations is such that citizens would receive better service for the same cost or the same service at less cost because of the exemption. Such a principle would lead far afield, moreover. The large

* See statement of legal basis for exemptions, Appendix B, V, p. 462.

† The Pittsburgh Railways Company pays a relatively small gross receipts tax and tax on cars on the North Side. In 1909 the former was $38,416.99; the latter, $1,871.24.

distributors of milk, for example—a necessity fully as important as gas or transportation—might well argue that they should be let off from paying taxes on the buildings which house their refrigerating and bottling plants. But whatever the attitude toward not taxing buildings, the scot-freedom from land taxes of these commercial corporations does not seem justifiable. Land values are very largely, if not entirely, created by the community. If there is any agreement at all among taxation authorities it is that real estate should bear an important part of local taxes; and yet Pittsburgh makes an exception in the case of over $18,000,000 in land values and absolves them from carrying their part of the city's expenses. The amount is as great as if the city exempted all real estate in the old thirty-eighth, thirty-ninth, and fortieth wards, four times over.

To sum up, then, we found that the dual system of discriminations by land classes on one hand and ward rates on the other, in vogue at the time of the Pittsburgh Survey and for years preceding, saddled the heaviest burden of local taxation upon the man of small means, the small householder, the small renter, and the small business man. We found also that important features of the assessment system, having to do with revision, undervaluations, customs, and triennial assessments, aggravated rather than mitigated these inequalities.*

In addition, in order to make good flagrant leakages—which were turned to account by the larger property holders, and unjustifiable exemptions—which were to the benefit of public service holdings, a higher rate had to be imposed upon all tax payers; every such increase in the rate coming down on the small man in the same unequal ratios in which he was already bearing the burden of the dual system of land classes and ward rates. It was a system of disproportion aggravating disproportion, leading to but one conclusion; namely, that while the community was progressing industrially and economically, Pittsburgh held to a tax system out of joint with the best principles of modern public finance—a

* The personal property tax, licenses, and fines—other elements in local revenues, did not, as shown in Appendix B, IV, p. 460, appreciably modify this situation.

system which gave inducements for holding large tracts of land unimproved, which made it easier for the downtown department store to squeeze out the small merchant, which added a tax discrimination equivalent to a public bounty to the other good fortunes of the rich, and which placed the heaviest burden of taxation upon the shoulders of those least able to bear it.

VIII

THE MODERN VIEW OF TAXATION

As already stated, the local tax system which in our day resulted in these inequalities, dated back to a time when facilities for distributing municipal services were meager, and also to a time when a theory that taxes are payments for definite services rendered to individuals as such, was much more widely accepted than now. This was the principle at the bottom of the ward system through which, as the modern city grew out of what had been a small compact community, the childless downtown business districts came to pay but a trifle toward popular education, while neighborhoods meager in wealth but prolific in children staggered under the school load.

This was the principle at the bottom of the land classification system through which, as suburban homes were brought within the sphere of municipal housekeeping, working people came to pay a half more for fire and police protection, sewerage, lighting, paving, and street cleaning, than their prosperous neighbors. Now, even if it had been possible to make adjustments that would have overcome these abuses, the taxing principle involved would still have been open to question. Since the 50's the trend among taxation experts has been away from the payment-for-benefit theory. Its fallacy is apparent in the light of the more recent definition of taxes. To attempt to define taxes for the tax payer, to be sure, is almost like giving a man with a jumping molar a theoretical description of toothache. Everybody knows taxes by practical experience. Despite experience, however, hazy ideas abound, and scarcely anything is as helpful in clearing them up as clean-cut definitions.

In the older conception, as we have said, taxes were payments for definite services such as protection, security, justice, education; and there was a measurable connection between the charge and the benefit conferred. Taxes were a form of insurance, according to Montesquieu, who, a century and more ago, defined the revenues of the state as "part of the property of each citizen which he surrenders in order to insure the remainder." The more accepted current view, however, does not acknowledge a tax to be a payment for protection or other service. No contract for protection exists between the state and the individual. The state can not be called upon to pay damages for failure to protect property. Besides, protection, justice, or education can not be measured or paid for like sugar or coffee. If there were a direct and ascertainable connection between the tax and the benefit conferred, then childless parents would not be taxed for school purposes; then the halt, the lame, and the blind who need protection most, would be taxed heaviest; and then the man whose life is saved by the fireman or policeman, would be taxed an infinite sum for the infinite service rendered.

The view of taxes more in tune with modern community life is well stated in a recent United States government publication, thus: "Taxes are compulsory contributions of wealth, levied and collected in the general interest of the community from individuals and corporations without reference to special benefits which the individual contributors may derive from the public purposes for which the revenue is required or to which it is applied."* Professor Bastable puts the same definition more briefly thus: "A tax is a compulsory contribution of the wealth of a person or body of persons for the service of the public powers."† The idea of an exchange of services, a barter of benefits, between the state and the individual is absent. The government is expected, however, to use the contributions made by the individual for the benefit of all; that is, so as to advance the interests of all, regardless of who pays heaviest or who benefits most. This idea was undoubtedly in Adam Smith's mind when he laid down his first canon of taxation, which holds good today: "The subjects of every State ought to

* United States Census, Bulletin 105, Abstract of Annual Report, 1907. Statistics of Cities, p. 8.

† Bastable, Charles Francis: Public Finance. Third edition, p. 263. New York, Macmillan.

contribute toward the support of the government as nearly as possible in proportion to their respective abilities."*

Taxation according to ability to pay, proportional taxation, has long appealed to the spirit of fairness in this country. "It is not the truth that the rich men should be penalized because they are rich, or the poor escape because they are poor. The economic conception is that the rich should pay much because it means little to them, and the poor should pay little because a little means a great deal to them. In short, the canon of general taxation is equality of sacrifices."† But with *ability*, or equality of sacrifice, accepted as a basis, what is the test of tax-bearing ability? One and another form of taxes have been tried until almost every evidence of ability, from the number of windows in peasant cottages or the amount of salt therein consumed, to the princely incomes of modern times, have been catalogued for government revenues.

In the early colonies, determining tax-bearing ability was relatively simple. Land being plenty and to be had for the taking, and the wealth of all colonists thus being practically equal, their tax-bearing abilities were equal. A poll tax taking from each a uniform amount was just. Later, as population increased and commerce grew, some land was preferred over others; and the owners of the more favored sites had an advantage. Wealth distinctions arose and the flat poll tax was supplemented by a land tax which took account of the greater ability of the owners of the more valuable land. With differences in land wealth came differences in tangible personal property, such as horses, cattle, and household goods. A personal property tax, therefore, proportional to the amount of such property, came into use. Later, intangible personal property in the form of stocks, bonds, notes, and mortgages, assumed appreciable size, and ownership in these became an important evidence of ability to shoulder government expenses, and this class of personal property was taxed.

Thus from early to late the principle that justice in taxation is obtained through contribution to the support of government in

* Smith, Adam: Inquiry into Nature and Causes of Wealth of Nations. London, Routledge, 1892.

† Smart, William: Taxation of Land Values, p. 20. New York, Macmillan, 1900.

accordance with individual ability, has been generally recognized. Much of Pittsburgh's system proved to be an exception, as we have seen, to this general trend. Longer than any other great American city it taxed on a plan which claimed a basis in the benefit theory, but which violated the tenets of that theory; a plan which, when all was said and done, cut the wealthy man's taxes down because of his flowers, his shrubbery, the open spaces about his house, and the other evidences of his greater tax-paying ability; and which called upon the people of moderate means and less to make up what the wealthy escaped.

The scope of this study properly closed with its demonstration of how a worn out taxation scheme was thus working social injustice in Pittsburgh. The report as it was drafted for practical use concluded with three major recommendations by which to remedy that injustice; namely, to abolish the land classification, abolish the ward rates, and abolish them both together. The tax law of 1911 eliminated the land classification; a new state code created a united school budget for the municipality,—and both were passed by the same legislature.

Space should be given, however, to outlining a further reconstructive program promoted by some of the tax reform forces whose initial campaign proved thus successful. Their scrutiny of the distorted equilibrium which had existed in Pittsburgh between land and building taxes led them naturally enough to propose that the balance should be struck the other way.

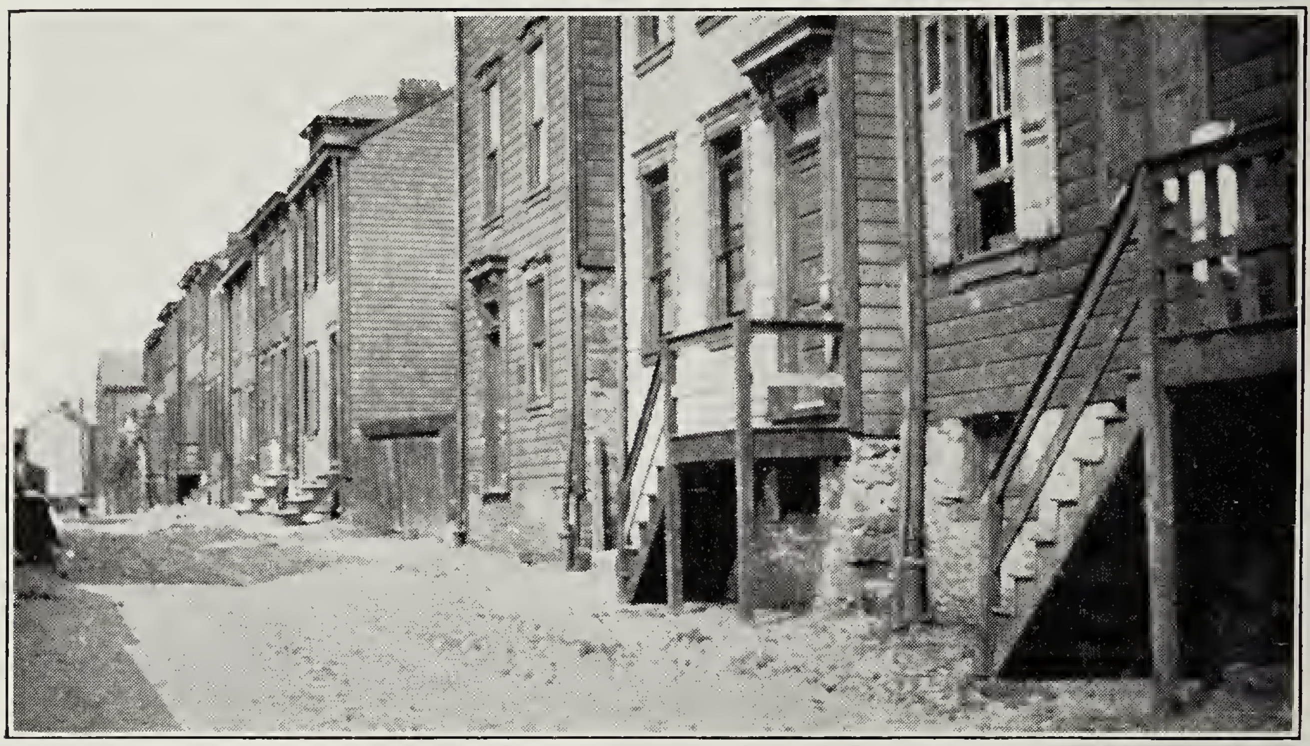
In a report made in December, 1911, the committee on housing of the Pittsburgh Civic Commission recommended that the legislature enact a law fixing the tax rate on buildings in Pittsburgh at 50 per cent of that on land, the reduction in the building tax to be made up by increases in the land tax. In order that the change might be made gradually and not occasion hardship, the plan in its final form provided that the 50 per cent reduction should be spread over thirteen years, the rate on buildings being reduced to 90 per cent of that on land the first year, 80 per cent the fourth year, and so on, making a 10 per cent reduction at the first of every cycle of three years. The proposal was thus not to stop at eliminating the classification plan, but to turn it inside out; from a policy discriminating in favor of land to go to one of discriminating against land.

Taxed at Two-thirds Rate

Tax-saving Shrubs and Lawns

These costly residence properties in 1910 enjoyed a rate one-third lower than homes in the congested, unsanitary districts of the city

High Taxes and Few Improvements



Property Along Poe Alley
Without sidewalks, street lights, etc., paying the highest rates in the ward

Keil's Row—Plum Alley
A congested district where the tax burden was levied at the full rate

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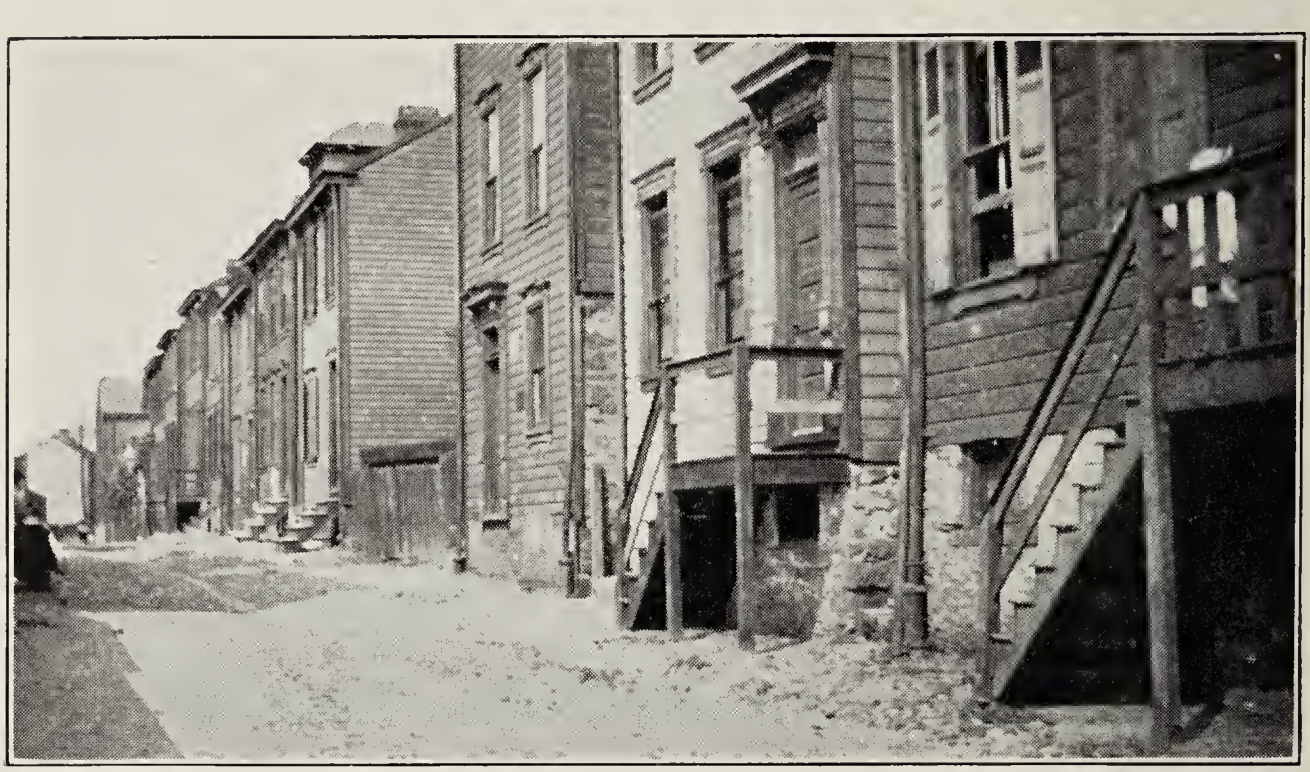

Property Along Poe Alley
Without sidewalks, street lights, etc., paying the highest rates in the ward

Keil's Row—Plum Alley
A congested district where the tax burden was levied at the full rate

These civic bodies were successful in securing the passage of this legislation in 1913 with the qualification, however, that it should not apply to the school tax. With 1914, Pittsburgh becomes the first large city in the United States to enter upon the experiment of halving the tax rate on buildings—a point which by the gradual stages set in the law will be reached in 1926.

As has already been seen, the higher tax which for forty years had been levied on built up property in Pittsburgh tended to encourage the speculative holding of land out of use; to augment the sales price of available land, and thus discourage the location of industries in the city; to discourage building enterprises and thus perpetuate the ramshackle dwellings which hold their tenants when workmen's homes are hard to buy or high to rent. High land cost and excess building tax have been the lot of householder and factory builder in Pittsburgh. The new plan does more than take the penalty off building houses and factories; it rewards that kind of enterprise by a lower tax the same way that Pennsylvania rewards industrial capital in exempting machinery from taxation. It will cut the tax on improvements in half and spread one part out as an additional penalty for holding land out of the market.

In pointing out that the price of land in Pittsburgh is high in comparison with prices in many other American cities of about the same size, the Civic Commission cited two causes in addition to the peculiar topography. One-third of the city's acreage is, to be sure, made up of hillsides too steep to be built upon, but the two aggravating causes have their roots in the tax classification system which has been described, one being the over-speculation in the years when large fortunes were to be quickly made in Pittsburgh land, the other, the ownership of great tracts by a few individuals.

On the latter point the report stated:

"In this city as a whole, five families possess land assessed for 7.4 per cent of all the assessed land values in the city, but their assessed building values are only 36 per cent of their land values. These families own land assessed for 11 per cent of the assessed land values in the first and second wards, or in the retail, wholesale, and manufacturing district most in demand. Yet in these two wards the five families own land assessed for 12.7 per cent of the assessed valuation of the land. The sixth and twenty-third wards are the two with most area for residences. In the former, two families own 30 per cent and in the latter, one family owns 31 per cent of the assessed valuation of land.

"Thus to natural tendency have been added unusual human forces which have placed the price of Pittsburgh land at a figure which is prohibitive to prospective industries and residents. A few individuals have been enabled by circumstances to place and hold land prices at a figure which prevents the profitable use of the land by others."

Here, then, we have the extreme consequences of the old scheme of discrimination, which let real estate off with a half or two-thirds tax rate, and here also an argument which has large popular appeal in favor of the new scheme of land discrimination, which would make the land rate double. In so far as, in the case of rented houses, taxes on buildings can be shifted to the tenants while taxes on the land stay with the owner, the advocates of the measure claim for it that it will lower rents and the cost of living, and is socially desirable. In so far as city land values are the creation of the community about them, they regard it as socially just. The reaction upon the city's prosperity was prophesied by the Commission in these glowing terms:

"Manufacturers can be induced to come to Pittsburgh by exemption from taxes. This has often been urged. The tax plan of this report offers a practical method for offering low taxes as an inducement. This plan would appeal only to those who will actually build industrial plants. The low tax is given only when buildings are put up; that is, only to actual benefactors of the city.

"The higher taxes on land would induce owners to place land on the market by making it harder to hold land vacant. As owners become more anxious to sell, the price of land would tend to decrease. Thus prospective industries could secure sites at more attractive prices, decreasing the interest item in fixed charges. All this would tend to a great development of the city.

"Rents would be decreased by both the lower price of land and the lower taxes on buildings. How would this happen? A premium would be placed on putting capital in buildings and a penalty for putting it in vacant land. Therefore capital as rapidly as possible would shift from land to buildings and buildings would be erected to pay the increased taxes on land and to secure for capital the advantage of investment in buildings instead of land. Thus the law of supply and demand would bring down the price of land. As rent consists of interest on land value, plus interest and taxes in building value, the cheaper land and the lower taxes on building would decrease rents. All this would stimulate building, and building means labor well employed.

"Here is the solution of the housing problem. New houses at reasonable rents would be built on land vacant at present. The present most undesirable houses would be vacated. Their sites are those most convenient for industries. These sites would have to be improved to pay taxes or be sold at low enough figures to enable industries to use them profitably. So the two obstacles to Pittsburgh's progress would be largely overcome, bad housing would be almost abolished, and factories no longer kept away by high price of land.

"Precedents for such taxation are many. Great Britain has recently levied new land taxes to force vacant land into use. The German cities of Hamburg, Frankfurt, and Cologne, followed by most large cities, have adopted this method of securing better housing; in some cities workingmen's homes are entirely exempt. The cities of Australia and New Zealand generally tax buildings at less than full rate. In America, the cities of western Canada have this plan of taxation. In no case has a city adopting this system gone back to the old one."

As a proposal, showing the swing of the pendulum away from the entrenched evils disclosed by this investigation, the tax prospectus of the Civic Commission finds place in these pages. In the estimation of the writer the adoption of this second change in the tax system will work for the good of the whole community.

To Hamburg, Frankfurt, and Cologne, and, in America, to Vancouver and other of the cities of the British Northwest which have adopted this plan of taxation, one would have to go for an inductive study of its results. Neither those results, nor a discussion of the taxation theories they involve, but the objective conditions to be found in taxes laid and collected in the city of Pittsburgh, were the subject matter of this inquiry, and the resulting findings have been set forth deliberately, opportunely, and to constructive purpose.

There remain to be noted certain changes in public administration, which, apart from whatever general tax policy is followed, are equally demanded by the conditions disclosed.

X

CONCLUDING NOTE

Of the minor evils brought out in the course of our inquiry, several have been removed in the interval between the field work and the publication of this volume. The movement to put the delinquent tax collector on a salary basis might well culminate in abolishing the office altogether, holding the city treasurer responsible for collecting delinquent taxes as well as other taxes. The dual system of city valuations should be eliminated and the members of the city board should be paid sufficient salaries to hold men of caliber. The bringing forward of penalties to be charged against delinquent tax payers, so as to make these penalties effective, should be followed logically by the elimination of discounts to those who pay on time. The provision which went into effect January 1, 1913, for placing tax funds in the banks offering the highest bid with satisfactory guarantees (the old rate had been 2 per cent) blocks another leakage large enough in its time to have fairly wrecked the municipal government in graft.

But these changes in staff and methods of collecting, handling, and conserving tax moneys, important as they are, are not so vital as four functional reforms which would make for greater simplicity, up-to-dateness, publicity, and inclusiveness in the system of assessment; that is, in the actual laying of the tax burden. These are as follows:

First: The schedule of tax rates, untangled to a great extent by the abolition of the district school taxes, should be further simplified and should be kept simple.

There are individual cases, principally of new additions to the city, where it is a fair question as to whether the tax rate of the newly annexed district should be made the same as that of the old city. There are often local responsibilities which are so peculiar to the annexed territory that they should be shouldered for a short time at least by the individuals or community in which they originated, but the period of readjustment should be made as brief as possible. Practically all the reasons for the incorporation of an area, made up of contiguous, congested, and similar districts, into one municipal unit are also reasons why the revenues of this municipal unit should be raised on a uniform and metropolitan basis.

Second: The machinery for an annual, instead of a triennial, assessment of all city real estate should be set to work. Taxes are levied annually and city budgets are planned annually; the basis for the raising of these taxes should also be made up annually. Taxes are variable quantities; valuations are also variable quantities; and if assessments remain constant quantities, disproportions are sure to arise. Practically all of the large cities in the country make annual valuations, and the tendency among the rest is in that direction.

Third: The difficulty of maintaining a uniform ratio between assessed valuations and cash values is recognized throughout the country, and Pittsburgh is no exception in this regard. Greater publicity of assessments through the printing and wide distribution of the assessment lists, the issuing of reports with maps and diagrams showing assessment methods, the charting of assessed valuations out from the central point of highest value,—all are methods which have helped solve the difficulty in other places. They enable the everyday citizen to compare his property and his neighbors, and through his self-interest—if not through his public interest—turn him into an ally of the assessors. Inequalities between real estate of the same grade thrive on nothing so much as secrecy.

Fourth: Real estate owned by public service corporations should be subject to uniform local taxation. The city's policy is inconsistent regarding this property. In one part of the city it has been taxed, while in another it has been exempt. The least that should be demanded is uniformity throughout the city. But more should be demanded; the more than $18,000,000 worth of land owned by these corporations should be taxed. Real estate is widely recognized as a proper object for local taxation, especially when held by corporations which get off easily at the hands of the state taxing bodies.

These four changes would round out the radical reform wrought by abolishing land classes and ward rates. They would tend to clear away further discriminations and disproportions due to geographical location, to changes in values from one year to the next, to the human equation in assessing real estate, and to the favoritism heretofore shown to one corporate group of tax payers.

The question of still further radical changes in the taxation bases would remain; but with these further inequalities razed, the laying of the local taxes in Pittsburgh would be shorn of its functional abuses and become a matter of administrative efficiency and vigilance.

APPENDIX B

TAX LAWS, RATES, AND EXEMPTIONS

I

EARLY PENNSYLVANIA TAX LAWS AFFECTING LAND CLASSIFICATION IN PITTSBURGH

By an act of Assembly, approved in 1867, providing for the enlargement of the municipal boundaries of Pittsburgh, taking in part of Pitt township, all of Oakland, Collins, Liberty and Peebles townships and the borough of Lawrenceville, the city assessors were enjoined to separate real estate into two classes, similarly to the method pursued in Philadelphia. The language of the act was significantly identical to that used in another act of 1856* applying to Philadelphia real estate assessments. It provided "That it shall be the duty of each assessor returning real estate, to mark, in the margin of his book, opposite the property of any taxable, used for agricultural purposes, the word, 'rural'; and upon any property, so returned, there shall be assessed and collected only two-thirds of the rate, for city taxation, that shall be assessed and collected upon other real estate within said city."†

In 1868 an act‡ provided for a third division in cities of the first class (Philadelphia) called "agricultural" or "farm" land reducing its tax to one-half of the prevailing rate. In 1876, this new classification of land was applied to cities of the second class; that is, Pittsburgh and Scranton. Following the reference to the valuation of taxable property, the act continues: "The said board then shall proceed to classify the real estate so assessed, in such manner and upon such testimony as may be adduced before them, so as to discriminate between built up property, rural or suburban property, and property used exclusively for agricultural or farm purposes, including untillable land, respectively, and to certify to the councils of said city during the month of January of each year, the aggregate valuation of city, rural and agricultural property subject to

* Compare Act of 1856, Section 6, P. L. 568, and Pittsburgh Consolidation Act of 1867, P. L. 846, Section 6.

† P. L. 846, Section 6.

‡ Act of 1868, Section 1, P. L. 444.

taxation; it shall be the duty of said councils in determining the rate of taxation for each year, to assess a tax upon said agricultural, farm, and untillable land equal to one-half (½) of the highest rate of tax required to be assessed for said year and upon the said classes of real estate of said city there shall be three rates of taxation."

An act of July 9, 1897, added a clause saying what was implied in the earlier acts,—that Councils shall assess "upon said built up property a tax equal to the highest rate required to be assessed as aforesaid." The tax amending acts of 1900 and 1901 did not change the classification provisions.

II

PITTSBURGH TAX RATES, BY WARDS, FOR CURRENT EXPENSE, SEPARATE INDEBTEDNESS, AND SCHOOLS. 1910

Rates stated in mills on the dollar of valuation

Ward	Rate in Mills				
	Current Expense	*Separate Indebtedness*	*General School*	*Sub-district School*	*Total*
Pittsburgh Proper					
1	7.50	6.20	..	.50	14.20
2	7.50	6.20	..	.40	14.10
3	7.50	6.20	..	.17	13.87
4	7.50	6.20	..	.25	13.95
5	7.50	6.20	..	.75	14.45
6	7.50	6.20	..	.75	14.45
7	7.50	6.20	..	5.00	18.70
8	7.50	6.20	..	5.00	18.70
9	7.50	6.20	..	.50	14.20
10	7.50	6.20	..	.50	14.20
11	7.50	6.20	..	7.50	21.20
12–1[a]	7.50	6.20	..	2.00	15.70
12–2	7.50	6.20	..	1.75	15.45
13	7.50	6.20	..	5.00	18.70
14	7.50	6.20	..	2.50	16.20
15	7.50	6.20	..	1.30	15.00
16	7.50	6.20	..	2.30	16.00
17	7.50	6.20	..	2.25	15.95
18	7.50	6.20	..	3.00	16.70
19	7.50	6.20	..	2.00	15.70
20	7.50	6.20	..	1.00	14.70

[a] Old twelfth, twenty-first, and twenty-second wards are divided into two tax districts.

Ward	Rate in Mills				
	Current Expense	*Separate Indebtedness*	*General School*	*Sub-district School*	*Total*
Pittsburgh Proper					
21–1	7.50	6.20	..	4.50	18.20
21–2	7.50	6.20	..	2.50	16.20
22–1	7.50	6.20	..	3.33	17.03
22–2	7.50	6.20	..	4.40	18.10
23	7.50	6.20	..	4.50	18.20
24	7.50	6.20	..	2.00	15.70
25	7.50	6.20	..	3.00	16.70
26	7.50	6.20	..	2.50	16.20
27	7.50	6.20	..	5.25	18.95
28	7.50	6.20	..	1.50	15.20
29	7.50	6.20	..	2.00	15.70
30	7.50	6.20	..	2.00	15.70
31	7.50	6.20	..	5.50	19.20
32	7.50	6.20	..	5.00	18.70
33	7.50	6.20	..	1.75	15.45
34	7.50	6.20	..	2.50	16.20
35	7.50	6.20	..	6.00	19.70
36	7.50	6.20	..	6.00	19.70
37	7.50	6.20	..	5.50	19.20
38	7.50	6.20	..	15.00	28.70
39–Elliott	7.50	5.60	..	7.00	20.10
40–Esplen	7.50	4.60	..	8.00	20.10
41–Sterrett	7.50	4.20	..	9.00	20.70
42–Montooth	7.50	9.40	..	7.00	23.90
43–Sheraden	7.50	4.90	..	10.00	22.40
44–West Liberty	7.50	2.80	..	3.00	13.30
Beechview Borough	7.50	8.90	..	4.00	20.40
North Side					
1	7.50	6.00	3.50	1.00	18.00
2	7.50	6.00	3.50	3.50	20.50
3	7.50	6.00	3.50	4.50	21.50
4	7.50	6.00	3.50	1.00	18.00
5	7.50	6.00	3.50	5.00	22.00
6	7.50	6.00	3.50	2.50	19.50
7	7.50	6.00	3.50	8.00	25.00
8	7.50	6.00	3.50	2.00	19.00
9	7.50	6.00	3.50	1.50	18.50
10	7.50	6.00	3.50	10.00	27.00
11	7.50	6.00	3.50	5.00	22.00
12	7.50	6.00	3.50	9.00	26.00
13	7.50	6.00	3.50	2.80	19.80
14	7.50	6.00	3.50	3.50	20.50
15	7.50	6.00	3.50	6.50	23.50

The first rate, 7.5 mills, to pay current expenses, applied to all 63 districts. It paid what might be called the operating expenses of the city, outside of interest and sinking funds, and exclusive of all public school expenses. In other words it met the cost of administration of the executive, legislative, and financial offices of the city, as well as the various city departments; such as the department of public safety which furnishes police and fire protection, the inspection of buildings, smoke, electric wiring, and the like; the department of public works, the department of health, and so forth. This was the one and only millage rate which applied uniformly to all tax districts in Pittsburgh.

The next column shows that the rate of 6.2 mills was levied in the first 38 wards in the old city to meet separate indebtedness. Old wards, numbers 39 (Elliott), 40 (Esplen), 41 (Sterrett), 42 (Montooth), 43 (Sheraden), 44 (West Liberty), and Beechview, being the more recent annexations to the city, had their own rates, which ranged from 2.8 mills to 9.4 mills. The difference in the rates of these seven wards from those of the other 38 is explained on the ground that the former had come into the city only recently, and with debts hanging over from before their annexation. On the North Side all 15 wards paid 6 mills for separate indebtedness.

But the millage for separate indebtedness in the old city and on the North Side did not cover the same items, and this should be distinctly noted. Of the 6.2 mills assessed in most of the wards in the old city, 3.4 mills went to pay appropriations for sinking fund, interest, and the state tax on Pittsburgh bonds which were outstanding at the time of annexation of Allegheny; also to pay contractors' claims in connection with street and sewer improvements, interest on street and sewer contracts, assessments against the city, and judgments. On the North Side, instead of 3.4, the whole 6 mills levy was applied to this kind of indebtedness. The 2.8 mills remaining after deducting 3.4 mills from the separate indebtedness rate of 6.2 in the old city, represents the tax levied to meet the expense of the Pittsburgh Central Board of Education. This was, mainly, teachers' salaries, the cost of administration of all schools (exclusive of the construction and maintenance of new sub-district buildings), and all expenses of the public high schools. On the North Side an extra millage of 3.5, above the 6 mills for separate indebtedness, was necessary to meet similar school expenses there. Except for the seven new districts with varying rates, here was the first important feature of the rates which caused a considerable inequality between districts. The geographical consolidation of the two cities had not been matched with a fiscal consolidation; and so we find the old city paying 3.4 mills for past debts as against 6 mills assessed on the North Side, and we find the old city paying 2.8 mills for central school board expenses as against 3.5 mills on the North Side. For separate indebtedness and the central school board expenses combined, the old city bore a rate of 6.2; the North Side, a rate of 9.5 mills.

Incidentally, it is to be noted that West Liberty paid only 2.8 mills for separate indebtedness; that is, its millage for this purpose was only the rate levied for general school expenses. It carried no part of the debt burden with which the old city was loaded, but shared in the benefits which resulted from those debts, such as filtered city water, park improvement, boulevard extension, and so forth. It could look forward to the time when the cost of public improvements in West Liberty which would be of special local benefit, would be shared by the whole city through the current expense millage where new bonds of the consolidated city were met.

Last in the table is a column of rates to pay sub-district school expenditures, the cost of erecting and maintaining district school buildings, each sub-district shouldering its own expenses. The largest element in the wide variations in total rates was this sub-district school tax.

III

PITTSBURGH SUB-DISTRICT SCHOOL TAX RATES, BY WARDS, IN ORDER OF SIZE OF RATE. 1910

Rates stated in mills on the dollar of valuation

Ward	*Sub-district School Rate in Mills*	*Ward*	*Sub-district School Rate in Mills*	*Ward*	*Sub-district School Rate in Mills*
3	.17	8 North Side	2.00	8	5.00
4	.25	17	2.25	13	5.00
2	.40	16	2.30	32	5.00
1	.50	14	2.50	5 North Side	5.00
9	.50	21^{2}	2.50	11 North Side	5.10
10	.50	26	2.50	27	5.25
5	.75	34	2.50	31	5.50
6	.75	6 North Side	2.50	37	5.50
20	1.00	13 North Side	2.80	35	6.00
1 North Side	1.00	18	3.00	36	6.00
4 North Side	1.00	25	3.00	15 North Side	6.50
15	1.30	44 West Liberty	3.00	39 Elliott	7.00
28	1.50	22	3.33	42 Montooth	7.00
9 North Side	1.50	2 North Side	3.50	11	7.50
12^{2} [a]	1.75	14 North Side	3.50	40 Esplen	8.00
33	1.75	Beechview Borough	4.00	7 North Side	8.00
12^{1}	2.00	22^{2}	4.40	41 Sterrett	9.00
19	2.00	21^{1}	4.50	12 North Side	9.00
24	2.00	23	4.50	43 Sheraden	10.00
29	2.00	3 North Side	4.50	10 North Side	10.00
30	2.00	7	5.00	38	15.00

[a] The old twelfth, twenty-first, and twenty-second wards are divided into two tax districts.

IV

THE PERSONAL PROPERTY TAX; LICENSES; COUNTY TAXES, ETC.

There is practically no shifting of the municipal tax burden in Pittsburgh through the personal property tax.

Advocates of taxing personal property would, indeed, find grounds for further indictment of the tax situation in the fact that in this city of a "thousand millionaires," the total personal property assessed for local taxation was $3,685,015. Pennsylvania has practically done away with the system of personal taxes; but in doing so it is in accord with the trend of opinion among tax experts and economists who regard personal property taxation as illogical, ineffective, and a nursery of abuse. As the whole city's taxable value was $679,165,253, the personal property valuation amounts to about one-half of 1 per cent—so small a proportion that even if its levy was marked by great inequalities their effect on the general situation would be practically negligible.

The 5 per cent* added to the city revenues from licenses, fines, and forfeits, has not relieved the situation for, if anything, the larger part of it is drawn from the groups lowest in the scale of economic ability.

Of the $875,247.89 received from these sources in 1909, 82 per cent came from liquor licenses, and for our purposes the other principal items,—7 per cent from business licenses (principally vendors and amusements) and 9 per cent from vehicle licenses (other than automobiles),—may be disregarded.

It is difficult to say who is the ultimate payer of liquor licenses. Even if the tax stayed on manufacturer or retailer, its bearing on the more even distribution of all city taxes would be slight. It would not affect all citizens nor change the situation for any one group of people.

On the other hand, it may be said that in general producers and distributors of manufactured goods are able to shift taxes to the shoulders of consumers. This is especially true in the case of liquors, if the city's license fee is large enough to restrict the number of persons going into the business. This is undoubtedly the case in Pittsburgh and the number is further restricted by the operation of the Pennsylvania liquor laws. The bar recoups by small glasses, poorer or no free lunches, and so forth. Under these circumstances, if the consumption of liquors were approximately equal among individuals, the tax would be a uniform levy and not proportional to ability to pay. But consumption is, of course, not equal. The large working class is undoubtedly the largest consuming class in this case, and hence would be the heaviest payers of the tax.

* Exclusive of water rents and the sale of city bonds.

County taxes have borne less unequally upon the different groups of property holders within the city limits but have in no wise readjusted the pressure of the municipal tax load. The county tax falls largely upon real estate. In 1909, out of a total assessed valuation of $1,300,000,000 in Allegheny County, a scant $188,000,000, or 14 per cent, was personal property. Of this $1,300,000,000 of assessments, $867,000,000 was against property in the city of Pittsburgh which thus paid almost two-thirds of the annual tax of nearly $3,000,000 raised for county purposes. The tendency to undervalue large holdings more than small ones and to make more and greater reductions in their assessments through appeals for revision, operated in county as in city systems, but real estate was not classified for county taxation.*

V

EXEMPTION OF COMMERCIAL PROPERTY

By the courtesy of the committee on real estate and taxation of the Pittsburgh Chamber of Commerce we are able to present a report, prepared by the Chamber's committee on laws, upon the legal basis, so far as there is any, for the exemption of commercial property in Pittsburgh. Our questions related to the following exemptions:

(a) Sixty-six feet of right of way of railroads.

(b) Land and buildings of light, gas, and heating companies; also water companies.

(c) Buildings and part of equipment of railroads on the North Side, Pittsburgh.

(d) Land of incline plane companies.

(e) Land and buildings of telephone companies (Central District and Printing Telephone Co., Pennsylvania and Allegheny and American Telephone and Telegraph Co. of Pennsylvania). Sixth Avenue building of the Philadelphia Company paid taxes on one-half of its total valuation. What is the law exempting the other half? Likewise $\frac{13}{16}$ of the Central District and Printing Telephone Company's three-story telephone exchange building and land on Fourth Avenue.

* The federal taxation system, being based upon considerations quite independent of the local taxation policy, was considered outside the scope of this study. But as the federal revenues come mainly from customs duties and excise taxes which fall disproportionately heavy upon consumers with small means they offer no special redress, but rather add to the disproportionate governmental load borne by the latter.

OWNERSHIP OF EXEMPT COMMERCIAL PROPERTY. PITTSBURGH, 1907.

Ownership	*Land*	*Buildings*	*Total*
Railroad			
Pennsylvania R. R. . . .	$12,965,316	$1,555,400	$14,520,716
Baltimore and Ohio R. R. .	2,126,681	47,500	2,174,181
Pittsburgh and Lake Erie R. R.	1,181,651	..	1,181,651
Wabash R. R.	506,782	..	506,782
All others	326,271	202,250	528,521
Light, Gas, Heating, etc.			
Philadelphia Co. . . .	777,600	1,481,850	2,259,510
Allegheny Gas Co. . . .	41,250	300,000	341,250
Pittsburgh Gas Co. . . .	128,500	362,000	190,500
Duquesne Light Co. . . .	16,890	44,300	61,190
Pennsylvania Light, Heat and Power Co.	5,100	45,300	50,400
South Side Gas Co. . . .	9,630	17,800	27,430
People's Natural Gas Co. .	8,925	1,125	10,050
Manufacturers Natural Gas Co.	250	300	550
Incline Planes			
Duquesne Incline Plane Co. .	526	..	526
Monongahela Incline Plane Co.	3,534	..	3,534
Seventeenth Street Incline Plane Co.	15,272	..	15,272
Mt. Oliver Incline Plane Co. .	10,094	..	10,094
St. Vlair Incline Plane Co. .	835	..	835
Pittsburgh Incline Plane Co. .	21,712	..	21,712
Clifton Park Incline Plane Co. .	5,000	..	5,000
Water Companies			
Monongahela Water Co. . .	11,250	..	11,250
Pennsylvania Water Co. . .	175	..	175
Telephone and Telegraph Companies			
Central District and Printing Telephone Co. . . .	381,243	286,000	667,243
Pittsburgh and Allegheny Telephone Co.	65,585	49,000	114,525
American Telephone and Telegraph Co. of Pennsylvania .	3,150	10,700	13,850
Miscellaneous	58,110	..	58,110
Total	$18,671,332	$4,103,525	$22,774,857

The report is as follows:

"The rule is that property of a quasi-public corporation which is indispensable to the proper exercise of the corporate franchise or is reasonably necessary to the business of such corporation, and which constitutes a part of its corporate machinery properly employed by it as incidental to the execution of the charter purpose, is not subject to local taxation. Or, as stated by the Court in People's Street Railway *vs.* Scranton, 8 C. C., 634, "The property of such a corporation, both real and personal, as is necessarily appurtenant to its public works and indispensably necessary to enable the corporation to fulfill the purposes for which it was chartered, loses its specific character as houses, lands, etc., so far as the laws regulating taxation are concerned, and is recognized as simply part of that unity which is covered by the corporate franchise and taxed directly by the commonwealth."

In 1859 an act of Assembly was passed, P. L., page 828, entitled an "Act to enable the City of Pittsburgh to raise additional revenue." One of the provisions of this act is as follows:

"That all real estate situate in said city owned or possessed by any railroad company shall be and is hereby made subject to taxation for city purposes the same as other real estate in said city." For construction and application of this act see Pennsylvania Railroad *vs.* Pittsburgh, 104 Pa. St., 522.

This would seemingly cover all real estate, including the rights of way of all railways within the city of Pittsburgh, but for some reason the city of Pittsburgh never attempted to tax locally the rights of way of any of the railroads within its limits for almost fifty years after said act was passed. But in 1908 such an attempt was made, and the railroad company filed a bill in equity asking for an injunction to restrain the city of Pittsburgh from collecting taxes on real estate included within its rights of way. The court entered decrees dismissing the bill. This case was appealed. The supreme court reversed the lower court and held that it was not the intention of the legislature to include within the meaning of the words "real estate" as used in the act of 1859, the ground comprised within the rights of way.* This disposes of the first question submitted.

The act of 1859 above referred to, authorizing the taxation of real estate of railroad companies, applied only to the city of Pittsburgh, and all railroad property in the city of Allegheny came under the general rule above mentioned and was exempt from local taxation.

When the cities of Pittsburgh and Allegheny were consolidated it was with the understanding that each of the cities should pay its own floating and bonded indebtedness as the same existed at the time of consolidation by imposing a tax therefor on the property of each city.

Since the consolidation the city of Pittsburgh assessed, for the purpose of paying the bonded and floating indebtedness of the former city of Allegheny, all of the side tracks, stations, offices, and so forth, of the

* Pennsylvania Railroad *vs.* Pittsburgh, 221 Pa. St., 90.

Pittsburgh, Fort Wayne and Chicago Railroad Company situate on the North Side.

The railroad company filed a bill asking for an injunction to restrain the city of Pittsburgh from levying this tax. This bill was dismissed by the lower court, and the case was appealed. The supreme court reversed the lower court and held that only property in the old city of Allegheny which was subject to taxation prior to the consolidation with the city of Pittsburgh can be subject to taxation for the purpose of liquidating its floating and bonded indebtedness at the time of annexation.*

VI

STATE TAXES

Customs taxes are reserved exclusively to the federal government. There is no overlapping here of state and federal taxes, but the state may levy excise duties and corporation taxes. State excise duties generally take the form of license taxes. The majority of the states, however, have depended mainly for their revenues upon the general property tax; that is, the real estate and personal tax. The states in general have apportioned out their required taxes among the counties upon the basis of the county valuations of realty and personalty, and the counties have raised their quota by adding enough to the county rates to bring in the state apportionment. The last decade or more has witnessed an increasing tendency to substitute other taxes for the general property tax, especially that on real estate, thus tending to separate the sources of state and local taxation. With the exception of New York, Pennsylvania has probably gone farther than any other state in this matter.† The most important substitution has been the corporation tax. In 1909 New Jersey derived 92 per cent of its total state tax revenue from corporations; Pennsylvania, 72 per cent; Delaware, 62 per cent; New York and Maryland, 32 per cent.‡ In Pennsylvania, in 1909, more than half of the revenues from

* See Pennsylvania Co. *vs*. Pittsburgh, 226 Pa. St., p. 322.

† "Pennsylvania has almost reached the goal (separation of state and local tax sources) by discontinuing any state taxation of real property, but Pennsylvania still enforces the state tax on personalty, even though this be done in a somewhat peculiar way. New York is the real example of separation of state and local revenues, although from the local point of view the separation is not complete because corporations are still nominally subject to the general property tax for local purposes. So far, however, as the chief point is concerned; namely, the abandonment of the general property tax for state purposes, New York has in practice reached the separation of state and local revenues."—Prof. E. R. A. Seligman in an address on "The Separation of State and Local Revenues," delivered at the First National Conference of the National Tax Association, 1907.

‡ Report of the Commissioner of Corporations, June, 1910. Part II, Taxation of Corporations, p. xi.

corporate taxation came from the capital stock tax. The inheritance tax is another source of state revenue which is growing in favor; a number of states levy income taxes; and in the Southern states for a long time part at least of the license or occupation taxes have gone to the state. In 1909 Pennsylvania's license taxes brought in 14 per cent, its inheritance tax 7 per cent, and the personal property tax nearly 5 per cent of the state taxes. The total state tax collected in Pittsburgh in 1909 was an amount relatively so small as to be negligible as far as its influence in equalizing other disproportions was concerned.

VII

THE 1913 PENNSYLVANIA TAX LAW FOR CITIES OF THE SECOND CLASS

AN ACT amending article six of an act, entitled "An act for the government of cities of the second class," approved the seventh day of March, Anno Domini one thousand nine hundred and one, as amended by an amendatory act, approved the first day of April, Anno Domini one thousand nine hundred and nine, and as affected by an act, entitled "An act providing a uniform rate of assessment and taxation for all real estate in cities of the second class," approved the eleventh day of May, Anno Domini one thousand nine hundred and eleven; by providing for the classification of real estate for purposes of taxation into two classes; to wit, the buildings on land, and the land exclusive of buildings, and by providing for the assessment of a less tax upon the buildings than upon the land exclusive of the buildings, in cities of the second class.

Section 1. Be it enacted, &c., That article six of an act entitled "An act for the government of cities of the second class," approved the seventh day of March, Anno Domini one thousand nine hundred and one, as amended by an amendatory act, entitled "An act amending article two, article six, article sixteen, and paragraph twenty-four of article nineteen, of an act, entitled 'An act for the government of cities of the second class,' approved the seventh day of March, Anno Domini one thousand nine hundred and one; by providing for an increase in the number of executive departments in said cities from nine to ten, by the creation of the Department of Public Health; by increasing the number of persons constituting the Department of Assessors, and enlarging and increasing the jurisdiction and powers of said department; by providing for an increase in the number of police magistrates in said cities from five to eight; and supplementing said act by authorizing the creation of the Department of Public Health; providing for the appointment of a director thereof, fixing the maximum of his salary, and defining the jurisdiction of said department," and approved the first day of April, Anno Domini one thousand nine hundred and nine, which article as so amended reads as follows:

"ARTICLE VI

"Department of Assessors

"This department shall consist of no less than five (5) nor more than nine persons, who shall have been residents of the city for at least ten years; all of whom shall not be of the same political party. The number of assessors in this department shall be designated by ordinance; and they shall, from time to time, make all valuations for purposes of municipal taxation.

"*They shall classify and divide all real estate in the city into three classes; namely,—Built up, which shall pay full rates; suburban or rural, which shall pay two-thirds; and agricultural, which shall pay one-half.* They shall triennially make a valuation for all purposes of municipal taxation, and shall have the power to administer oaths. They shall have the power to make a new assessment in any ward or wards they deem necessary, in any subsequent year, other than triennial years, in the manner prescribed by law for the triennial assessment. Any property owners shall have the right to be heard by the full board, sitting as a board of revision, on appeal from any valuation. The assessment as aforesaid, shall remain the lawful assessment for purposes of city taxation until the next assessment. Nothing herein contained shall be construed to repeal the act of July nine, one thousand eight hundred and ninety-seven, providing for the classification of real estate and other property for the purposes of taxation, and for the election of assessors and prescribing the duties thereof, in cities of the second class, except so far as the same is inconsistent herewith.

"The councils shall, by ordinances, make all further needful rules and regulations for the government of this department,"——*and as affected by an act, entitled "An act providing a uniform rate of assessment and taxation for all real estate in cities of the second class," approved the eleventh day of May, Anno Domini one thousand nine hundred and eleven,* which last mentioned act reads as follows:

"Section 1. Be it enacted, &c., That hereafter all real estate now assessed and taxed in cities of the second class shall be assessed and taxed, for all purposes of such taxation, at a uniform rate, based on its valuation, without discrimination or distinction of any kind, and no classification of such real estate for purposes of taxation shall hereafter be made: Provided, This act shall not affect the assessment of taxes for the year one thousand nine hundred and eleven.

"Section 2. All acts or parts of acts inconsistent herewith are hereby repealed," shall be, and the same is hereby, amended so as to read as follows:

ARTICLE VI

Department of Assessors

This department shall consist of no less than five (5) nor more than nine persons, who shall have been residents of the city for at least ten years: all of whom shall not be of the same political party. The number of assessors in this department shall be designated by ordinance; and they shall, from time to time, make all valuations for purposes of municipal taxation.

They shall classify all real estate in the city in such a manner, and upon such testimony as may be adduced before them, so as to distinguish between the buildings on land and the land exclusive of the buildings, and to certify to the councils of said city the aggregate valuation of city property subject to taxation. It shall be the duty of said councils, in determining the rate for the years one thousand nine hundred and fourteen and one thousand nine hundred and fifteen to assess a tax upon the buildings equal to nine-tenths of the highest rate of tax required for said years; and for the years one thousand nine hundred and sixteen, one thousand nine hundred and seventeen, and one thousand nine hundred and eighteen, to assess a tax upon the buildings equal to eight-tenths of the highest rate of tax required to be assessed for those years; and for the years one thousand nine hundred and nineteen, one thousand nine hundred and twenty, and one thousand nine hundred and twenty-one, to assess a tax upon the buildings equal to seven-tenths of the highest rate of tax required to be assessed for those years; and for the years one thousand nine hundred and twenty-two, one thousand nine hundred and twenty-three, and one thousand nine hundred and twenty-four, to assess a tax upon buildings equal to six-tenths of the highest rate of tax required to be assessed for those years; and for the year one thousand nine hundred and twenty-five, and for each year thereafter, to assess a tax upon the buildings equal to five-tenths of the highest rate of tax required to be assessed for the year one thousand nine hundred and twenty-five, and for each year thereafter, respectively, so that upon the said classes of real estate of said city there shall, in any year, be two rates of taxation.

They shall triennially make a valuation for all purposes of municipal taxation, and shall have the power to administer oaths. They shall have the power to make a new assessment in any ward or wards they deem necessary, in any subsequent year, other than triennial years, in the manner prescribed by law for the triennial assessment. Any property owners shall have the right to be heard by the full board, sitting as a board of revision, on appeal from any valuation. The assessment, as aforesaid, shall remain the lawful assessment, for purposes of city taxation, until the next assessment. Nothing herein contained shall be construed to repeal the act of July nine, one thousand eight hundred and ninety-seven, providing for the classification of real estate and other property for purposes of taxation, and for the election of assessors and prescribing the duties thereof, in cities of the second class, except so far as the same may be inconsistent herewith.

The councils shall, by ordinance, make all further needful rules and regulations for the government of this department.

Section 2. All acts or parts of acts inconsistent herewith are hereby repealed.

Approved—The 15th day of May, A. D. 1913.

JOHN K. TENER.

The foregoing is a true and correct copy of the Act of the General Assembly No. 147.
ROBERT McAFEE,
Secretary of the Commonwealth.

VIII

EXEMPTIONS, 1913*

Description	*Land Valuation*	*Building Valuation*	*Total Valuation*
Churches, Schools, Eleemosynary Institutions, etc.			
United States Government Property (Postoffice and Arsenal)	$5,013,056	$1,879,000	$6,892,056
Commonwealth of Pennsylvania Property	365,266	1,168,800	1,534,066
Allegheny County Property (Court House, Jail, etc.)	5,227,400	3,347,728	8,575,128
414 Churches (All denominations)	7,015,435	6,416,850	13,432,285
168 Schools (All denominations)	3,674,714	8,966,300	12,641,014
18 Universities and Colleges	1,212,290	3,392,200	4,604,490
25 Hospitals	2,098,940	5,260,300	7,359,240
15 Asylums	527,464	646,250	1,173,714
31 Eleemosynary Institutions	863,642	1,105,175	1,968,817
19 Cemeteries	5,703,699	314,406	6,018,105
8 Libraries	1,494,737	6,481,000	7,975,737
15 Religious Associations	647,449	905,350	1,552,799
3 Bath Houses	28,245	80,000	108,245
Total	$33,872,337	$39,963,359	$73,835,696
Public Utility Corporations			
Steam Railroad Cos. (Old City Pittsburgh) (Right of Way only)	$8,260,193	$2,300	$8,262,493
Steam (North Side) (All Property)	7,917,281	1,709,150	9,626,431
Street Railways Cos.	68,551	87,000	155,551
Telegraph and Telephone Cos.	468,188	365,700	833,888
Incline Plane Cos. (Right of Way only)	68,700	. . . . .	68,700
Gas, Heating and Light Cos.	960,789	2,347 825	3,308,614
Various Corporations	27,966	2,500	30,466
Total	$17,771,668	$4,514,475	$22,286,143
City Property	$23,656,500	$20,649,610	$44,306,110

* From the annual report of the Department of Assessors of the City of Pittsburgh, January 31, 1913.